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Republic of Uganda The Role of Nongovernmental Organizations and Community-Based Groups in Poverty Alleviation

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ABBREVIATIONS AND ACRONYMS

ACFODE	Action for Development
ACORD	Agency for Cooperation and Research in Development
AFTSP	Africa Technical Social Policy Division
AIDS	Acquired Immune Deficiency
CAP	Community Action Program
AMREF	African Medical and Research Foundation
CARE	Catholic Agency for Relief
CBG	Community-Based Group
CEM	Country Economic Memorandum
CIDA	Canadian International Development Association
DANIDA	Danish International Development Agency
DCAT	District Community Action Trust
DENIVA	Development Network of Indigenous Voluntary Organizations
DES	District Executive Secretary
DHS	Demographic and Health Survey
EDI	Economic Development Institute
GDP	Gross Domestic Product
GOU	Government of Uganda
ICRC	International Committee of the Red Cross
IDA	International Development Association
IMF	International Monetary Fund
LWF	Lutheran World Federation
MFEP	Ministry of Finance and Economic Planning
NCAT	National Community Action Trust
NGO	Nongovernmental Organization
NRM	National Resistance Movement
NRP	Northern Reconstruction Project
PAPSCA	Program for the Alleviation of Poverty and Social Costs of Adjustment
PTA	Parent Teacher Association
UWESO	Uganda Women Efforts to Save Orphans
RC	Resistance Council
SAF	Social Action Fund
SCF	Save the Children Fund
SDA	Social Dimensions of Adjustment
SEDF	Socio-Economic Development Fund
SIDA	Swedish International Development Agency
SSA	Sub-Saharan Africa
TASO	The AIDS Support Organization of Uganda
UCOBA	The Uganda Community Based Association for Child Welfare
UDHS	Uganda Demographic Household Survey
UNICEF	United Nations International Children's Emergency Fund
URDT	Uganda Rural Development Training
USAID	United States Agency for International Development

REPUBLIC OF UGANDA

THE ROLE OF THE NGO SECTOR IN POVERTY ALLEVIATION

Table of Contents

Executive Summary		i-vi
Chapter One.	Introduction	1
	A. Rationale, Objectives and Audience	1
	B. Key Issues	3
	C. Methodology and Approach	7
	D. Structure of the Report	10
Chapter Two.	The Socio-Economic Context of Poverty	11
	A. Background	11
	B. Social Indicators	11
	C. Government Strategy and Constraints	12
	D. The Social Fallout from Political and Economic Adjustment	13
Chapter Three.	The Economic Rationale, Character and Role of NGOs in Poverty Alleviation	15
	A. The Economic Rationale for NGO Intervention	15
	B. The Character of NGOs in Uganda	19
	C. The Historical Evolution of NGOs	20
	D. The Changing Roles of NGOs	22
	E. Leveraging Limited Community Resources	26
Chapter Four.	NGOs and The State: The Operating Environment	29
	A. Benign Neglect or Banal Suspicion	29
	B. From Development Ideology to Sustained Action	30
	C. Registration and the Question of Internal State Control	30
	D. Regulation and External Donor Accountability	32
	E. The Emerging Third Sector: NGOs, the State and Private Sector	34

This report was prepared by a mission which visited Uganda in February 1993. The mission consisted of Messrs. N.J. Colletta (Mission Leader), A. Thompson (Economist, AF2PH), J. Clark (International Relations Officer, HRO), and T. Brett (NGO Research Specialist, Consultant), Lydia Tabi provided secretarial assistance in the preparation of the report. The mission drew heavily upon the Special Project Preparation Facility (SPPF) studies on the Uganda NGO Sector conducted by A.J. Ratter and J.B. Kwesiga (consultants) under the management of Mr. O. Mattar, Director of Aid Coordination, Ministry of Finance and Economic Development, as well as extensive field visits and interviews throughout Uganda.

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Chapter Five.	Assessing NGO Performance in Poverty Alleviation	36
	A. Measuring NGO Effectiveness and Efficiency	36
	B. The Nexus of Participation, Poverty and Equity	41
	C. The Road Toward Sustainability	42
Chapter Six.	Accountability, Monitoring and Control	45
	A. Accountability To Whom?	45
	B. NGOs and the Diversity of Stakeholders	46
	C. The Community Beneficiary Vantage Point	47
	D. Donors and NGOs: a Problem of Monitoring	49
	E. The Politics of Regulation, Control and Autonomy	51
Chapter Seven.	Positioning NGOs for Sustainable Poverty Alleviation.	54
	A. Institutional Relationships	54
	B. Government-Donor-NGO Relations	58
	C. Cooperation in Community Capacity Building	60
	D. National Community Action Trust	61
Chapter Eight.	Findings and Recommendations	66
	A. Understanding Diversity as Strength	66
	B. Unfettering the Operational Environment	67
	C. Identifying Mechanisms for Integrated Planning and Collaboration	69
	D. Fostering World Bank Collaboration with NGOs	70
Annexes		
	1. NCAT - Extract from MFEP Budget Speech - July 1992.	
	2. Overall NGO Sector Study Methodology.	
	3. Methodology for NGO Typology and Operating Environment.	
	4. Select Community Field Study Methodology.	
	5. Collective Groups and Market Competition.	
	6. The Problem of Evaluation.	
	7. Government Bodies with Responsibility for Coordinating NGOs Activity	
Boxes		
	1. DENIVA	
	2. The NGO Registration Act	
	3. Donor-NGO Relations	
	4. Action for Development (ACFODE)	
	5. When Trickle Down Meets Conscientization	
	6. The Btwaa: Limits to Empowerment	
	7. The Benefits and Costs of Participation	
	8. Monitoring, Effectiveness and Accountability	
	9. The Aringa Development Program	
	10. Community Action Trusts	
	11. Building Community Capacity: The Change Agent Training Program	

UGANDA

THE ROLE OF THE NGOs AND CBGs IN POVERTY ALLEVIATION

EXECUTIVE SUMMARY

At Independence in 1963 Uganda was one of the better placed African countries with good health and education facilities, a relatively good human resource base, a sound infrastructure, and an opportunity to benefit from fertile agricultural conditions, mineral deposits and hydroelectric potential. However, over a decade of civil strife has seen these assets under-utilized, run down or destroyed. Now Uganda finds itself as one of the poorest countries in the world, both socially and economically.

In 1986, President Museveni and the National Resistance Movement came to power and over the seven years since then they have been able to bring stability and security to the country. Under a structural adjustment program supported by major donor agencies, the Government has started to rebuild its shattered infrastructure, to provide a positive macroeconomic environment for private enterprise and to redirect Government spending away from areas such as defense and towards basic needs such as health, education and water supply.

However the Government's capacity to facilitate the provision of basic services to the poor and engender self-reliant, sustainable development has been severely constrained by a number of factors. Lack of funds and qualified people, the enormous social deprivation, a rapidly growing population, inter alia, all mean that the Government will need to forge effective partnerships with the nongovernmental and private sectors to alleviate poverty. While structural adjustment is necessary, and the Government has been a willing partner in this process, it has not proven to be sufficient in addressing persistent poverty. The Government itself suffers from inefficiency, lack of resources, and an inability to reach the poorest sections of the community even when its policies are right.

The private and voluntary sectors are seen as having the characteristics necessary to complement inadequate government services to the poor. Their activities range from social mobilization to direct service delivery. Historically the non-government sector of NGOs and Community-Based Groups (CBGs)^{1/} has played an important role in Uganda. Whereas previously the Government saw its role as taking over the services from NGOs it is now more interested in giving these groups greater opportunity to participate in a more decentralized development process.

As the NGO role in the public domain grows, it becomes more important to identify and articulate the economic justification for their activities. NGOs have an economic role to play in providing the collective goods that would otherwise be undersupplied or not supplied at all, by the private market. They may produce these collective goods on their own initiative or at the behest of government and acting as the government's agent. In this case they may

^{1/} In this sector report, **Nongovernmental Organizations** (NGOs) are generally defined as legally constituted, non-governmental, non-profit organizations working in the areas of relief, development and advocacy. They are principally value-driven and oriented toward meeting the needs of the poor. **Community-Based Groups** (CBGs) are informally structured and exist for the benefit of their own members and/or communities while NGOs have formal organization and exist to meet needs beyond that of their own members and communities. In many places in this report, the acronym NGO is used broadly to include CBGs.

be thought of as substitutes for private contractors. However, NGOs are often distinguished from private agents by their social commitment, closeness to local issues, and low labor costs. These characteristics are the basis for a potential comparative advantage to NGOs in providing public goods and services. In addition, NGOs (and other community organizations) can assist in the formulation of allocation rules for common property resources. Finally, and perhaps most important, NGOs can serve as a catalyst to civil society, giving voice to the needs and preferences of people (particularly poor people) who are currently under-represented in the political system.

The concept of working with NGOs is generally accepted, but trying to define what an NGO or a CBG is and what form a working relationship should take is often contextually specific. These groups and organizations are extremely diverse in nature, development ideology and self-perception. Some see themselves primarily as policy advocates or community mobilizers while others see themselves as direct providers of social services. Many are reluctant to be measured in terms of cost-effectiveness as they see their unique contributions to be in areas such as community mobilization which does not easily lend itself to quantitative analysis.

In addition, while NGOs and CBGs undoubtedly have many strengths, they also possess technical and managerial weaknesses. They usually work on a small scale and their projects may not be easily replicable. There is a wide range of ability, some groups utilizing resources with remarkable economy and effectiveness while others fail on most, if not all, counts. Their projects may be vulnerable to collapse once external support is withdrawn. Often they are independent-minded, pursue their own agenda, and are not accountable to government, donors or to beneficiaries.

Within the above broader context, the Ministry of Finance and Economic Planning (MFEP) and the Bank agreed to initiate a study of the NGO sector in Uganda financed by SPPF. The primary purpose of this study has been to discover where the comparative advantages of NGOs and CBGs lie in poverty alleviation, and how the enabling environment (policy and operational) can be improved to maximize this comparative advantage. The broader goal of the study was to facilitate a process that builds a value-adding partnership between government organization, NGOs and CBGs, and to explore how this process can be strengthened and better interface with donors' efforts to meet the needs of the poor.

The MFEP study consisted of four major tasks. First, it established a comprehensive profile of the NGO sector in Uganda; secondly, it analyzed and assessed the environment in which NGOs and CBGs operate; thirdly, a field study was undertaken in a number of communities to examine how NGOs and CBGs perform from the perspective of the communities in which they operate; and fourthly, it identified and assessed opportunities for strengthening the efficiency and effectiveness, accountability, and sustainability of the NGO sector in order to realize more fully its comparative advantage. This sector report is based upon the information from these SPPF-financed studies and a Bank mission which conducted field visits and in-depth interviews during February, 1993.

The study was followed by a National Workshop on "Realizing the Development Potential of NGOs in Uganda", held in Kampala from February 9-10, 1994. The Workshop participants included a cross section of NGOs, CBGs, Government agencies, and Donors. The major outcome of the Workshop was consensus on the need to prepare a **National Plan**

of Action for the NGO Sector. It was further agreed that the key elements of this plan should include: (i) clarification and promulgation of government policy toward NGOs; (ii) establishment of an NGO data base/information system; (iii) introduction of an NGO Code of Conduct; (iv) creation of appropriate NGO coordination structures and mechanisms; and (v) development of institutionalized modalities of GO-NGO collaboration at the local and national levels. As managers of the NGO study and convenors of the National Workshop, the AID Coordination Unit, MFEP, would take steps to commission a team for the preparation of the proposed Plan and secure the necessary funds.

Principal Findings and Recommendations

The three key findings that emerge from this report are as follows:

1. In a country as poor as Uganda, with limited government capacity, and profound social needs, it is urgent to **expand partnerships** in a decentralized framework in order to reach the poor, and to offer interventions that are meaningful to their lives. (see Paragraph 56)
2. The special comparative advantage of NGO's, relative to government, is that they are innovative, spontaneous, and varied. Given this, government regulations that attempt to impose conformity on NGOs and channel their activities will stifle the spirit of the NGOs and reduce the prospects for effective partnerships. In addition, misguided regulation can impinge on the freedom of association, and weaken civil society. The NGO sector should be "**liberalized**" and remaining regulations should be of the technocratic variety. Government's role should be to facilitate the development of an **NGO Code of Conduct** and provide information-sharing mechanisms that signal the particular capacities of individual NGOs in order to promote partnerships based on trust and knowledge. (see Paragraphs 125-129).
3. NGOs play an essential role as **capacity builders** of community based groups. NGOs can serve as a conduit to financing sources, build up community management and technical capacity, and facilitate the social decision-making required for ownership and sustainability of common property resources. (see Paragraph 175).

These three over-arching findings support the rest of the detailed recommendations and encapsulate the thrust of this report. The specific findings and recommendations fall under four broad categories:

A. Understanding Diversity as Strength

1. NGOs are diverse in nature. This diversity is a strength in terms of flexibility and responsiveness to beneficiary needs. NGOs face a number of constraints: organizational and technical capacity, government laws and regulations, and donor procedures. Reducing these constraints, it is argued, would improve the effectiveness of NGOs. However for donors and government to more readily work with NGOs, an understanding and **classification of the NGO universe by function and activity** rather than by type would be a useful perspective for facilitating policy and programmatic collaboration. Developing and maintaining

an **NGO information system/data-base** would be an effective vehicle for enhancing donor and government collaboration with NGOs.

2. NGOs play an important role, particularly in the **promotion of popular participation and civil society**, but they are not meant to substitute for government nor simply be relegated to the narrowly defined role of low-cost service provider. They can serve as a genuine complementary partner to government in the development process.
3. NGOs have widely differing goals and activities ranging from community mobilization to service provision, but there are many areas of mutual concern. These areas present opportunities for **new partnerships** with government, donors and beneficiaries. **Regular fora** for building such partnerships and sharing experience need to be established.

B. Unfettering the Operational Environment

4. NGOs should be encouraged to use indigenous structures (i.e. CBGs) before creating new institutions. Donors should support **decentralization policies** throughout all operations to **empower** the District and sub-District level administration and improve responsiveness and accountability, while **supporting measures to review existing statutes and create an unfettered and enabling environment** for NGOs and CBGs to work in. This should cover such matters, inter alia, as registration, regulation, taxation, visas, planning, implementation collaboration, consultation and official support.
5. As part of the effort to create a supportive enabling environment for NGO partnerships, the current registration procedure should be changed. This report recommends disbanding the current Registration Board housed in the Ministry of Interior, and **redefining government's function** as coordination and information sharing. A **database/information system** of NGOs, designed to identify their capacities and track record, should be housed in a technocratic arm of government, such as the Aid Coordination Department of the Ministry of Finance and Economic Planning. The classification of NGOs for tax purposes should remain with the specialized tax authorities.
6. Support for the **National Community Action Trust (NCAT)** proposal is still weak within both government and the NGO community. NCAT is unlikely to work if the government tries to concentrate all NGO finances in one body and if resource allocation decisions are politicized, because NGOs will not voluntarily work within such an environment. Given limited government capacity, it is recommended that movement on this waits until some experience is gained (and evaluated) from **the district level pilot** of a similar mechanism, the Community Action Program (CAP), in West Nile District.

C. Identifying Mechanisms for Integrated Planning and Collaboration

7. **Accountability to whom is an issue for NGOs, government and donors alike. Efforts need to be made to develop transparent mechanisms to enhance accountability, especially to the ultimate beneficiaries -- the poor. A joint review of existing statutes and regulations governing NGO/CBG activities, e.g. registration, taxation etc., is required to clarify legality, accountability and responsibility issues. Development of an NGO Code of Conduct should also help facilitate peer accounting.**
8. **When working in partnership with NGOs, efforts should be made to enhance their effectiveness by learning through participation at the design stage, building flexibility into the project and specifying procedures which correspond to NGOs' abilities and needs. In addition, full transparency and mutual understanding should be ensured by making responsibilities, obligations and administrative mechanisms clear at the outset. This can be achieved by providing basic orientation and training, by preparing the project or credit agreement and other legal documents in a clearly written style, and by ensuring that all NGOs understand government mechanisms, e.g. for handling Donor assistance.**
9. **Donors should avoid overfunding NGOs and inadvertently nurturing a dependency syndrome. Steps should be taken to improve the financial environment and NGO sustainability by introducing and encouraging the use of cost recovery and business-like practices among NGOs and CBGs, and by easing the bureaucratic constraints on the provision of direct support from Donors to NGOs, CBGs, and beneficiaries alike. Caution is warranted against funding NGOs beyond their capacity to absorb additional resources.**
10. **Steps should be taken to provide places for NGO staff on Donor and Government funded staff development courses. They should also be encouraged to make proper provisions for training, office equipment, administrative overheads and other capacity-building expenditure in their own budgets and applications for funding. Building organizational capacity will increase NGOs' ability to act as capacity builders themselves as well as absorb and better utilize existing and additional resources.**
11. **Ways should be sought to assist in the followup of the National Workshop recommendation to prepare a detailed NGO Action Plan.**

D. Fostering World Bank Collaboration with NGOs

12. **Provision should be made for technical, management and training support to NGOs with an emphasis on strengthening their ability to serve as "capacity builders" for themselves and of CBGs. This could be accomplished through**

the establishment of a special Bank NGO Grant Window^{2/}. Although alternative vehicles for NGO funding exist, such as the Participation Fund and the Institutional Development Fund they have tended to focus on different targets. Nor do these alternative funds provide the scale of funding that may be required to meet social needs through NGOs and community based groups. Financing through a special Grant Window would encourage NGOs and CBGs to build sustainability into their projects at the design stage by facilitating institutional development, beneficiary participation, ownership and implementation competence. At the same time, IDA efforts to strengthen NGOs as capacity builders through the ongoing EDI Japanese Trust Fund for NGO training and strategic planning, and the newly established Institutional Development Fund (IDF) and African Capacity Building Initiative (ACBI) should be expanded as much as possible.

13. This Sector Study Framework and Methodology should contribute to the development of an **NGO Operational Handbook** which is being undertaken by the Bank's NGO unit; and a **Guide to NGO Country Sector Assessment** currently being developed by the Africa Technical Department.
14. In addition to a longer term study to **profile NGOs** as part of the development of a **comprehensive information system** accessible to provide private and public users, **research** should be undertaken to develop a better understanding of the economic advantages offered by NGOs. Such research should identify and quantify "subsidies" enjoyed by NGOs (e.g. donations, employees willing to work for lower wages), the advantages of basing accountability on "shared values" rather than on auditing, monitoring and evaluation, and the economic benefits of having employees that share management's objectives.

^{2/}

An example of such funding is The Population NGOs Special Grant Program which is one of ten special grant programs managed by the PHN Department of the World Bank. This program is financed out of World Bank profits. It should be noted that as this report is being finalized, the Bank is currently preparing a comprehensive grant fund to support innovation in the areas of capacity building, participation and social assessment.

Chapter One. Introduction

A. Rationale, Objectives and Audience

1. In this sector report, **Nongovernmental Organizations (NGOs)** are generally defined as legally constituted, non-governmental, non-profit organizations working in the areas of relief, development and advocacy. They are principally value-driven and oriented toward meeting the needs of the poor. In Uganda, as elsewhere, there are numerous **Community-based Groups (CBGs)** established locally, of the community and operating on a very modest scale. These community groups are organized informally and have little experience or resources, but are characterized by a high degree of commitment and fill an urgent and often temporary need. They are "ad hoc" in nature, rising to address a need and dissipating once that need is addressed. An example of this latter kind are credit and savings schemes amongst women, farming brigades, or Hoe Groups (women who hire their labor out during harvest and weeding season in exchange for cash payment or sometimes payment in kind).

2. In Uganda, as in many other parts of the world, there is an increasing reliance on NGOs and CBGs to shoulder the burden of socio-economic development aimed at poverty alleviation. This reliance comes in large measure because of the vacuum created by the inability of governments to meet the basic needs of the absolute poor. Also, because of perceptions that their transaction costs are lower than those of Government, and that they are closer to their clients (beneficiaries), engender ownership through participation, and are more effective in their delivery of basic services to the poor. The nature and extent to which NGOs and CBGs have affirmed these perceptions is part of the underlying rationale for this study.

3. As part of the Government's efforts to alleviate poverty, the Minister of Finance and Economic Planning (MFEP) announced in the July 1992 Budget Speech the proposed creation of a National Community Action Trust (NCAT), a quasi-government body which would assist those communities involved in self-help projects. Recognizing the need for a national framework for mobilizing non-governmental capacities and developing more systematic linkages with local government and official donor agencies, the government proposes that the NCAT and District Community Action Trust (DCAT) branches would be created to channel official and non-official donor resources to grassroots NGOs and Community-Based Groups in order to more directly support their self-help approach to social rehabilitation and development (see Annex 1 - NCAT extract from MFEP Budget Speech, 1992).

4. It is expected that a number of NGOs and CBGs would participate both in the administration of Trust funds at the District level and also serve as technical agencies assisting communities in the implementation of self-help projects. The DCAT would form a framework for promoting effective collaboration between NGOs and CBGs, Resistance Councils (RCs), the District Administration, sectoral ministries, and Donors in a coordinated assault on absolute poverty.

5. The Government has acknowledged the niche currently carved out by NGOs/CBGs and Resistance Councils (RC) who have embarked on a host of local development schemes to rehabilitate and improve health care, primary education and rural infrastructure. In many areas, their contributions at the grassroots and national and regional levels have helped to fill the considerable void left as a result of government incapacities caused by the past civil conflict.

6. In its portfolio of operations supporting the Government of Uganda and its pursuit of poverty reduction, the World Bank has several activities such as the Program for the Alleviation of Poverty and Social Costs of Adjustment (PAPSCA) and the Northern Reconstruction Project (NRP) which it undertakes with NGOs/CBGs and has proposed expanding this partnership. Yet, the Bank's knowledge and understanding about the character, range, and performance of NGOs/CBGs in poverty alleviation is limited. The report should help to increase Bank knowledge and understanding concerning NGOs/CBGs.

7. The overall objective of this sector report is to foster a better understanding and an "enabling environment" for NGOs and CBGs, and to extend areas of collaboration between donors, Government and non-governmental organizations (NGOs and CBGs) to alleviate persistent poverty in vulnerable communities. Its intended audience includes the Bank in particular, NGOs, donor organizations, and the Ugandan Government.

Specifically the Report seeks to do the following:

- (a) Profile the character and role of the NGO sector in Uganda, especially in activities relating directly to poverty alleviation;
- (b) Examine the legal, regulatory, and procedural environment in which NGOs operate and identify for the Bank, donor community and Government, specific areas for improvements in procedures, policies and legislation;
- (c) Examine the efficiency and effectiveness of select NGOs in providing basic services to the poor from a community perspective; and
- (d) Recommend means to improve accountability, scale and sustainability of NGO activities.
- (e) Analyze the prospects for the NCAT as a vehicle for improving the efficiency and effectiveness of collaborations between the Government, donors, NGOs and CBGs to better achieve poverty alleviation objectives.

8. This NGO report complements the following other World Bank poverty alleviation work in Uganda: the Social Sectors Strategy Paper, the Poverty focused Country Economic Memorandum (CEM), the Economic Development Institute's (EDI) training activities both independently of and in collaboration with the Social Dimensions of Adjustment Program. In addition, Uganda is proposed for inclusion in the Africa Technical Social Policy Division (AFTSP) structural adjustment support activities to enhance NGO capacity and to further their collaboration with the Bank. AFTSP has a three-year training initiative designed to improve NGO efficiency and quality.

B. Key Issues^{3/}

Profiling and Classifying NGOs

9. Because of the wide variety of NGOs, **profiling** them can be difficult. The operations of NGOs are diverse in nature, their motivations range from the religious to the philanthropic to purely developmental. They also differ in their methodologies, goals, activities, relationships, size and funding. For the purposes of this study NGOs are generally considered to be non-political, non-profit groups, committed to the betterment of the neediest, the protection of the environment, and the welfare of the community. They emphasize self-help and self-reliance. In their organization and operations they tend to be more flexible and innovative than larger bureaucracies. They are often motivated more by a sense of social commitment than material remuneration. They work directly to fill knowledge and information gaps through skills training and other technical assistance programs; support institution-building and help design, prepare and implement development programs. They are close to the poor and the communities they live in, which allows them to mobilize communities for participation and involvement in development projects. Because they lack bureaucratic controls, they are typically characterized by speed and flexibility of response to identified needs.

10. Their strengths more often than not are also their limitations. They are small in size and scope, and thus often have only a limited impact. Frequently they lack a broad economic and social perspective, their financial and technical resources are seldom sufficient, they are loosely structured, sometimes without real accountability, and they are often weak (or excessively flexible) in management and planning. To achieve the optimum balance between, for example, flexibility and planning requires a high level of maturity and experience. It is not surprising that the efficiency and effectiveness of development NGOs is still relatively unmeasured despite the large number of organizations that have registered with the NGO Board. Most NGOs operating in Uganda, whether national or international will fit the above description in part.

11. The great diversity found in the NGO sector, including CBGs, constitutes a strength of the sector and is a reflection of its flexibility and responsiveness to local needs. However given this diversity, **classifying** NGOs can be problematic.

12. On what basis does one differentiate between groups of NGOs, and in the use of any such classification? A number of different models have been suggested and used in the past, but often these have been of limited functional value. For example the Development Network of Indigenous Voluntary Organizations (DENIVA), in compiling its directory of Non-Governmental Organizations in Uganda, used the following definition. "For an organization or an institution to be non-governmental it must be a voluntary one; it must be completely independent of government in its policy formulation and in the areas of its operation. It must have the freedom to choose what it must do in accordance with its aims and objectives. It must be an organization which is not established by government. Of course, it can raise the funds from the general public or from its own specific or sectarian groups." This definition serves little purpose other than to emphasize the separation and independence of NGOs from government. However in doing this it excludes some of the largest and most active NGOs in

^{3/} The issues section has been substantively enriched by the contribution of Ms. Mona Grieser, NGO specialist, consultant, to the "Uganda - NGO Sector Study Issues Paper", August 20, 1992, AF2PH.

Uganda, for example African Medical Research Foundation (AMREF) and Save the Children Fund (SCF) both work very closely with the central government as well as Oxfam and Lutheran World Federation (LWF) who have been supporting the public sector administrative infrastructure at the district level.

Box 1 DENIVA

The Development Network of Indigenous Voluntary Organizations (DENIVA) was established in February 1988 as an umbrella organization for local NGOs. According to its brochure, it has a membership of over 200 NGOs including 8 associates.

Reflecting the interested awareness of the NGO sector, DENIVA has attracted the interest and support of such organizations as The Ford Foundation which financed the publication of an NGO director in 1990, and the EBC which is currently planning to provide support for the DENIVA administration. It was involved with the United Nations Economic Commission for Africa in organizing a National Policy Workshop for indigenous NGOs which was attended by numerous government officials and Kampala-based representatives of NGOs. Its chairman currently sits on the Steering Committee which oversees the MFEP's NGO study financed by the World Bank.

In contrast to the heavy attention from government and international donors, NGOs generally felt that DENIVA has no relevance to their needs and that it had not satisfied the objectives for which it had been created. While many of them expressed a need for more coordination among NGOs, none thought that DENIVA could adequately fulfill this role, despite it being one of DENIVA's original objectives.

The Enabling or Disabling Environment in which NGOs and CBGs Work

13. Frustration in the environment in which NGOs operate is evident from both the donor experience and the stated opinions of NGOs. NGOs and Donors feel that their partnerships are not yet optimum and that there are implementation problems that may in part be due to this environment. This Report highlights the factors which NGOs perceive have the greatest negative impact on their operations.

14. As can be expected the larger, international NGOs complain about those government regulatory procedures that could be resolved through policy changes. Tax exemption status, restrictions on imports of vehicles and equipment, and problems with immigration for those NGOs bringing into the country expatriate technical assistance are all cited as having a potentially constraining impact on implementation of activities. They also point to the difficulty in adhering to donor procurement, disbursement, and auditing policies and procedures are common.

15. Smaller NGOs are concerned about resource deficits; money, manpower and materials. With smaller administrative staff, they are unable to compete with the larger NGOs in writing proposals and winning the confidence of donors on their terms. They cite competitiveness among NGOs and lack of cooperation as part of their problems. Indeed in some parts of Uganda, several NGOs are providing similar services to the same populations, while in other parts of Uganda, those same needs go unfilled. Providing a loose framework to redress the lack of understanding and integration of NGO efforts into the National Development Planning process in partnership with the Government is one of the expected contributions of this study.

16. Even more uncertain are estimates of resources at the disposal of NGOs. Where funds are obtained from public sources, or through international NGOs these figures can be computed with some degree of accuracy, but many NGOs receive funds privately and any estimate of NGO financial contribution to development is mere guesswork at present. The whole question of how and where to draw the line between non-profit and for-profit NGOs, especially in terms of their tax status is unclear. This report seeks to facilitate, through a follow-up National Workshop, the definition an agenda of operational changes (action plan) which will smooth and enrich the relationship between the NGOs, CBGs, government and donors.

Measuring NGO Efficiency and Effectiveness

17. Tied closely to the legal and regulatory environments of Government and Donors in which NGOs operate are questions related to their efficiency and to the quality of services which NGOs provide. Conventional wisdom has assumed that NGOs achieve high levels of reach, quality and efficiency, especially when compared to government agencies. It is assumed that NGO transaction costs (in delivering basic services) are lower than government. Since there has been little empirical evidence of the efficiency of NGO activities in Uganda, this study has taken a case study approach and has reviewed the activities of selected NGOs in selected communities. The perspective used has been that of the communities in which NGOs operate and not the perspective of the NGOs themselves. In addition to efficiency and quality of service provision indicators and measures, these evaluation parameters encompass equity, sustainability and accountability indicators.

18. Only a few NGOs have evaluated their own work in Uganda and evidence indicates that their success ranges from excellent to spotty at best. Even the more successful activities have considerable room for improvement. As well as pointing out areas in which NGO services could become more efficient, the study also points out those under-served populations and regions where NGOs could assist the Government to become more efficient.

19. De Coninck (1992)^{4/} noted in his evaluation of four NGO project activities that, while the provision of services was, for the most part adequate and the cost for services acceptable to the local population, the projects were not located in truly rural areas and in some cases competed with government and other private services. Beneficiaries sometimes complained that technical assistance was not provided as often as needed because the NGOs were too centrally based and did not have the resources to support field operations. One interesting aspect of De Coninck's work in evaluating a vocational, technical training component of a project, was his discovery that few of the individuals trained had utilized their skills to their financial benefit because other factors, such as access to credit to purchase necessary equipment, were not in place. In other words the environment for the beneficiaries was also not conducive to maximizing the opportunities presented through their training. Further, De Coninck notes that using the old apprenticeship method of training in a real world context was far cheaper and more efficient than the questionably sustainable "one-off" NGO training program. Thus NGO performance as perceived by the community has been the starting point for the field component of this report.

^{4/} "Evaluating the Impact of NGOs in Rural Poverty Alleviation - a Uganda Country Study," John de Coninck, ODI Working Paper no. 51, 1992, London.

The Accountability, Scale and Sustainability of NGO Efforts

20. Accountability of NGOs is an actively debated issue. Many NGOs feel that the accountability question should be asked of donors and government as well as of themselves. With specific regard to NGOs, accountability relates, not only to the reporting and monitoring of financial information, but to the way in which NGOs are held responsible to stakeholders for what they do. NGOs act as agents for donors, government (particularly when contracted for service delivery), their beneficiaries, and even other NGOs.
21. Each of these parties has differing and sometimes conflicting interests and, due to the nature of much of the work that NGOs are involved in, there exist complex problems of monitoring and auditing of objectives with achievements, and aligning priorities of NGOs with stakeholders.
22. Particularly in rural areas, beneficiaries are typically poor, ill-educated and vulnerable, with limited access to information. They are aware of the services they receive in their immediate areas, but not of the costs involved, the way decisions are arrived at or what is happening elsewhere. NGOs decide what services they will provide or what function they will fulfill. Donors provide funding which can be withdrawn if NGOs fail to meet expectations, but if they work in remote areas under harsh conditions on small projects the cost of independent monitoring is high. So donors rely on the information provided to them by the NGO and on the reputation the NGO enjoys. This provides a weak basis for defending the credibility of organizations under criticism and for distinguishing between valid and effective organizations and so-called "briefcase" NGOs.
23. The Government also has legitimate development interest in NGO activity in addition to its natural concerns with internal security. Its interest is in ensuring that service provision is equitably spread and not duplicated. Increased coordination should make this possible in the public sector, but it cannot be guaranteed where services are the outcome of decisions made by an array of autonomous NGOs competing with each other for funds. Thus, ways are needed to ensure that consumer needs are effectively identified and the activities of both state and NGOs are undertaken in an open manner to create an effective base for political accountability without imposing unacceptable levels of control. The government's interests in equity and efficiency of service provision should not provide an excuse to limit free entry and exit of NGOs and CGBs in the provision of services.
24. Related to the question of accountability, are issues of scale and sustainability. As has already been pointed out, the work of NGOs tends to be small scale and therefore their impact equally small. Attempts to interfere with the scale of their operations may impact negatively on the very things they do well, e.g., strong grassroots involvement, because of their small scale. An NGO that seeks to increase the scale of its operations may require greater investment by donors in institutional development so that management and administration can keep up with service operations. Donors and government are generally reluctant to provide overhead funds, but at the same time, they recognize the weaknesses of NGOs in these areas.
25. Scaling-up NGOs may also diminish the very qualities of commitment to the poor and the sense of mission which makes them willing to labor under difficult conditions. Inadequate information about how NGOs operate means that plans for scaling-up or developing partnerships amongst NGOs and Government until now has necessarily been limited.

26. The issues of scale and sustainability are closely linked. While many NGOs carry out their activities through partnerships with RCs or community groups there is some evidence to suggest that real participation, the kind that leads to sustainability, is not fully taking place. The example of the Agency for Cooperation and Research in Development's (ACORD) project in Gulu may be a case in point. Despite linkages with the local labor organization, this NGO failed to build local management and administrative capacity in the Acholi Cooperative Union engineering workshop, and with social and political changes taking place in the region, this has made their activities with the workshop less effective than hoped. However, in fairness, it should be noted that ACORD has been more successful in working with a large number of CBGs in promoting participation and self-reliance in the region.

C. Methodology and Approach

MFEP Study Methodology

27. This report follows on from a Ugandan study^{5/} undertaken by the MFEP and financed by a special project preparation facility (SPPF) of the World Bank. The study is essentially **exploratory and diagnostic** in nature. It endeavors to determine the extent to which NGO, Government, Donor and Beneficiary claims and expectations of NGOs are valid. It addresses what measures need to be taken to improve their operating environment, and seeks to fill the knowledge gap concerning the quantities and kinds of NGOs, and the efficiency, accountability and sustainability of their operations. Due to limitations of time and money, much of the study research was confined to secondary sources, and the field study was restricted to communities in just one district.

28. The study examines four key issues: (a) definition and classification of NGOs; (b) regulatory constraints of Government and donors on the functioning of NGOs (the "enabling or disabling environment"); (c) The efficiency and effectiveness of NGOs; and (d) The scale, sustainability and accountability of their activities. These issues most closely determine the shape, form and potential contribution of NGO activities.

29. The **investigative model** research design endeavored to look at how NGOs operate within three interacting tiers. The first tier represents the national context, the second the district context and the third tier the community context. Within this three-tier model the core (third) tier consists of the vulnerable communities' beneficiaries and determines if their expectations for services are being realized by NGOs. Simultaneously the study has looked at the enabling environment for constraints to delivery of services at that level. The second tier is the services provided by NGOs and the enabling environment required to deliver those services and supports at the district level. The first tier explores Government's and donors' roles in support of Tiers 2 and 3. It examines and analyzes regulatory issues, financial incentives, accountability and evaluation mechanisms, and provides a context for donors to improve their working relationships with their NGO partners. It also examines the operational mechanics of NGOs at the national level. An important aspect planned for the

^{5/} "Realizing the Development Potential of NGOs and Community Groups in Uganda", Government of Uganda, Ministry of Finance and Economic Planning, a report prepared by J.B. Kwesiga and A.J. Ratter, October 1992 - March 1993.

study, although difficult to achieve, was the examination of the synergism and dynamic relationships between the tiers (see Annex 2 - Overall Study Design).

30. The study endeavored to address the concerns of NGOs, Government and donors by inviting their participation in the study at the design stage.^{6/} This has been done by establishing a **Study Steering Committee** made up of representatives from both NGOs and affected Government ministries to guide and advise on design and implementation of the study. It was assumed at the outset of this study that the combined experience of locally-based donor representatives, Government and NGOs is more expert than foreign consultants. The study has tapped this rich resource of in-country experts to advise on the study. The research team developed standardized research methodologies. They interviewed key informants, organized focus group interviews and identified and trained local people to assist with the field research. **Beneficiaries** were included in the assessment of NGO impact.

Identifying and Classifying NGOs

31. An analytical exercise has attempted to establish a profile of the NGO sector in Uganda classifying NGOs by type and distribution, determining the nature and extent of their activities and resources. A **content analysis** was conducted by creating a database from the NGO Board's register. This effort demonstrated the difficulties of classifying diverse NGOs, but further work is planned in developing a database on NGOs (see Annex 3, Part A- NGO Mapping Methodology).

32. There are several long-range objectives of this exercise including reviewing the process of registering NGOs, providing the Government and donors with reasonable accountability measures, identifying the contexts in which certain NGOs can function most effectively for future development partnerships, developing recommendations for the establishment of the proposed NCAT and DCATs which will facilitate the government's and donors' ability to work in partnership with both NGOs and CBGs in development activities.

Analyzing Legal and Regulatory Constraints

33. The study has analyzed the legal and regulatory "environment" at all levels in which NGOs and CBGs operate to determine the factors that facilitate or impede their work. This process has included **in-depth interviews** with Government officials, local authorities, donors and NGOs to review structures and statutory instruments, rules and regulations, practices and procedures that help to create the environment in which NGOs operate (see Annex 3, Part B- Operating Environment Methodology). Among the issues that have been examined are those regulations that can facilitate or promote the work of NGOs. They include such matters as registration requirements, tax concessions including import duties, sales taxes, and income taxes; immigration regulations, particularly for those NGOs who bring in expatriate staff. At the field level it looked at the relationships of NGOs with local government, including the Resistance Councils (RCs), to identify possible constraints and areas for improvement.

^{6/} See the field report entitled, "A participatory research design workshop for studying the NGO sector in Uganda", by S. K. Gupta, Institutional Development Specialist, Consultant, Kampala, November 9, 1992. It should also be noted that this report benefited greatly from the insights and comments provided by Mr. Gupta on earlier drafts.

Measuring NGO Efficiency, Effectiveness and Sustainability

34. In parallel to the above study activities, three **community studies** were carried out within a selected area, Luwero District, to assess the coverage and effectiveness of service delivery by NGOs and CBGs in those communities. The original concept was to do studies in a number of areas but, due to **financial constraints**, this was compressed to just Luwero. Luwero was **purposefully selected** on the basis of such criteria as the incidence of poverty, the range of problems of underdevelopment, the presence of more than one operating NGO, the presence of operating CBGs, the penetration of Government-based services, the availability of an existing database, and the mix of ethnic and religious groups. The study deliberately chose to assess the impact of NGO activities from the vantage point of those communities who would normally benefit from the program or project. Popular response and attitudes determines the extent of initial impact and longer term sustainability of these programs. At the same time NGO staff were also interviewed, their records reviewed and their opinions solicited through use of focus group techniques and individual interviews. A **limitation** with this approach is that it is difficult to come to generalized conclusions given that the scope of the study only extended to three communities in one district.

35. A **qualitative research methodology** was deliberately chosen for the field research which included the NGOs and **community beneficiaries** in the assessment through **in-depth key informant and focal group interviews**. As mentioned above, the study has used an approach that began with community perception of satisfaction with the services provided to them by NGOs and CBGs and has tracked backwards from that point to identify the steps and mechanisms that either impede or enhance quality delivery of those services. It is assumed that in large part the determination of quality of service must come from the people in whose name funds are raised, professionals hired, and programs launched. It is for their sake that policy is set, rules and regulations established, and accommodations made. Independent of the beneficiaries, however, are other issues pertaining to sustainability, equity, accountability and other variables which are also examined in this study (see Annex 4 - Community Field Study Methodology).

Assessing Accountability, Scale and Sustainability

36. Those indicators which capture **sustainability** are measures related to the extent and degree of participation, efficiency, quality and equity. **Participation** implies the degree to which a community feels ownership for a project or service since through that **ownership** local commitment is obtained, behavior change takes place and motivation is enhanced. Through efficiency the cost per unit of delivery of basic services, e.g., education, training, health, is evaluated. Cost recovery measures to cover operating costs will be reviewed as well as the capacity to mobilize community contributions in labor and kind. Quality and equity issues are also measurable through looking at the impact in terms of performance, e.g., increased skill acquisition, earnings, improved health status, and the coverage of operations, e.g., the lowest income groups being served. In addition, the study has attempted to assess the capacity for flexibility and adaptiveness of NGOs to changing beneficiary needs and to the environmental context as an essential pre-requisite for long term sustainability.

37. Certain welfare-related activities supported by NGOs will never be sustainable in and of themselves, but others can and should be. This study has looked at those cases where NGOs have been able to provide evidence of sustainability (e.g. cost-sharing in health clinics,

tuition payments in schools) and makes recommendations to NGOs not yet utilizing these methodologies.

D. Structure of the Report

38. This sector report augments the work done by the Ministry of Finance and Economic Planning (MFEP) study team and places it in the broader Ugandan socio-economic development context. After providing background information - economic and social indicators, government strategy and programs, the social fallout from adjustment and prospects for the future - the report moves on to examine definitions, the historical evolution and changing roles of NGOs to-date, and the operational environment (State, Donor, and Beneficiary) in which they are working. It then considers issues of accountability, monitoring and control, performance, and sustainability as they relate to NGOs and poverty alleviation. From this analysis, the report develops recommendations for moving forward on poverty alleviation with Government, donors, NGOs, and communities (beneficiaries) as partners in development. In the final chapter findings are summarized and particular emphasis is placed on the implications this study has for the World Bank, Government and NGOs.

Chapter Two. The Socio-Economic Context of Poverty

A. Background

39. With a GDP of only \$170 per capita^{7/}, Uganda is poor. This is particularly tragic given the abundance of natural resources and the relative strength of its infrastructure at Independence in 1962. At that time a smaller, more manageable population enjoyed good educational and health systems, sound road and rail networks, and favorable terms of trade for both cash and food crops with opportunities to exploit mineral resources and hydroelectric potential; the manufacturing sector was also growing strongly.

40. In the interim the country has suffered from political and economic turmoil which has prevented it from seizing the opportunities open to it. Political turmoil brought a succession of internal conflicts characterized by mass killings and widespread destruction or confiscation of private property and infrastructure, and the displacement of one million or more people. This was accompanied by economic mismanagement which saw the rapid deterioration of professional standards as skilled personnel fled the country. GDP declined, inflation rose, and government expenditure was directed away from social sectors and towards defense. For all intents and purposes normal government services broke down totally, legal and institutional structures collapsed and the state's ability to deliver even the most basic of services, be it education or primary health care, was seriously eroded.

41. This breakdown in normal life is reflected in the appalling statistics for social and other indicators. These figures underline the impact such destruction has had on the lives of Ugandans, and demonstrate the scale of the needs facing the country now.

B. Social Indicators^{8/}

42. Uganda's crude death rate is estimated to be twice the average for low-income countries generally, and substantially above the Sub-Saharan Africa (SSA) average. As a result of the AIDS epidemic adult mortality is expected to double during the 1990s. Life expectancy at birth is presently estimated at only 42.7 years. While life expectancy ordinarily increases as countries develop, in Uganda it is projected to fall to 40.7 years by the year 2000 before any possible recovery can be forecasted. This would be lower than World Bank estimates for all other countries in 1990.

43. Infant mortality is about nine percent higher than the SSA average, and 70% higher than the average for all low-income countries generally. A newborn baby has only an 80% probability of reaching age five. A survey in 1988 found that the leading causes of under-five mortality were measles, diarrhea, malaria and respiratory infections. In the period since then neo-natal AIDS has also emerged as a significant cause of illness and death among young children.

^{7/} Estimate from "Uganda: Growing Out of Poverty", Country Economic Memorandum, World Bank, December 9, 1992.

^{8/} See "Uganda Social Sector Strategy", Grey Cover Report, World Bank, 1992.

44. A Demographic and Health Survey (DHS) carried out during 1988/89 measured Uganda's total fertility rate to be 7.3 per woman. This was the highest rate of all the countries included in that survey and the fourth highest among the 120 countries included in the World Bank's database. Among the DHS countries Uganda is the only one for which no evidence of fertility decline was found. Given the negative relationship between women's education and fertility, this reflects the low levels of education among Ugandan women.^{9/}

45. Education indicators for Uganda's adult population are very low. The Uganda DHS found that 38% of women surveyed had no education, 43% had received some primary education while only 19% had completed primary school. For Uganda's children the primary enrollment ratio of 71% is about average for SSA, but enrollment data may be inflated due to incentives for over-reporting. Although most children start primary school, only 32% graduate and, while almost as many girls as boys enter primary school, there are increasing gender gaps at higher levels of the educational ladder.

46. The secondary school enrollment is only about half the SSA average. Girls' enrollment is particularly low at only seven per cent. In addition to the quantitative issue of enrollment ratios, there is cause for concern over the low quality of education in Uganda since, ultimately, learning rather than mere enrollment is the objective of the educational process. Teaching standards are affected by high levels of untrained teachers (39%), very low salaries, ineffective supervision and inadequacy of school buildings and facilities.

C. Government Strategy and Constraints^{10/}

47. Despite the return to stability, the government's response to the critical needs of the country are severely constrained by a number of different factors.

48. The country is currently undergoing a program of **structural adjustment** which has made the Ugandan economy one of the most liberalized in SSA. This program has imposed greater discipline on public finances by requiring expenditures to be brought into closer equilibrium with receipts, thus putting pressure on government spending programs. Social sectors are still relatively deprived due to continued heavy spending on defense, though the Government appears to be making genuine attempts to shift spending from defense to the other sectors. A recent example of this is the Government's demobilization of more than 20,000 soldiers from the National Resistance Army.

49. In addition to the financial constraints imposed by structural adjustment, both the government and the country-at-large, suffer from a lack of organizational and absorptive capacity to respond in an adequate way to the enormous needs of the country. Qualified and able people are in short supply, resources are few, infrastructure is lacking and a history of organizational development has been lost in the chaos of political turmoil. The decline of real government salaries in the face of years of high inflation and a bloated civil service roll has bred corruption and weakened the government's ability to function effectively.

^{9/} See Uganda. Women in Development: Current Issues and Agenda for Further Research, 1991, Issues Paper, AF2PH, World Bank.

^{10/} See Staff Appraisal Report, Primary Education and Teacher Development Project, World Bank, March 1993.

50. Years of misrule and the current environment of corruption and nepotism have created a short-term outlook in people. Given the uncertain climate, they are reluctant to invest or to make long-term decisions. There is a bias towards quick profit opportunities from trading or arbitrage. This insecure, short-term outlook undermines the response to the liberalization program and means that less has been achieved than might have been given a less traumatic history.

51. Poor educational standards, lack of technical knowledge and resources limits peoples' abilities to help themselves or even to be mobilized by government or anyone else. The country is starting from a low base and these constraints reinforce each other to further impede the rate of recovery

D. The Social Fallout from Political and Economic Adjustment

52. Despite the relative stability of the last six years, a **climate of political uncertainty** remains. This has been highlighted recently by the debate over the creation of a new constitution. The outcome of this process is still unclear, but there has already been a resurgence of multi-party politics which has brought contentious and sectarian issues to the surface again.

53. Regardless of the outcome of the constitutional process, the **commitment to structural adjustment**, widely supported by the international donor community, looks set to continue if for no other reason than the lack of a viable alternative. The positive economic environment which this is creating should encourage the growth of a stronger economy and offset some of the negative effects of the political climate. In response to the recovery program, the economy has performed well. Inflation was reduced from 200% in 1986 to 30% in 1991, before spiking back up to 60% in early 1992 because of slippages in the implementation of fiscal and monetary policy in the first half of the 1991/92 fiscal year. The slippage has been corrected and on a year-over-year basis, inflation is now under 13% and in the last ten months prices have been essentially stable. The exchange rate has also stabilized at around USH 1,200 per US\$1.00. Real GDP has been growing by an average of five percent annually since the inception of the adjustment program in 1987. While Uganda is almost unique in how few people have been adversely affected by this program, there are still particular groups which will need a **safety net** provision. These include the large numbers of orphans, widows and disabled, many of whom find themselves in their deprived situation either as a result of the war or the AIDS epidemic. Others affected include the families of civil servants who lose their jobs as part of civil service reform and retrenchment, and soldiers demobilized as part of the Veterans Assistance Program.

54. Despite the accomplishments to date, a substantial recovery and reform agenda still remains. While declining, inflation is only now being brought firmly under control. Reflecting the collapse in the world price of coffee, export receipts are equivalent to only one third of import payments, so that Uganda remains heavily dependent on external aid and debt relief. Government revenue remains extremely low at only about seven per cent of GDP, reflecting weak tax administration and the loss of coffee-based revenues. Prioritization of Government expenditure, and divestiture of many public enterprises, are critically important processes on which implementation has just begun. Financial institutions are undercapitalized, and there is relatively little financial intermediation in the economy. The availability, quality and use of most social services remains deplorably low.

55. Although economic opportunities are improving, **social needs** will continue to grow quickly, particularly with an increasing population and the spread of the AIDS epidemic, quite possibly outpacing any growth in the economy. The AIDS epidemic in particular hits the most economically productive members of society leaving behind orphans and dependent elderly and placing an even greater burden on the more productive members of society.

56. The **Government's ability** to respond, and even its capacity to absorb and utilize assistance from outside, will continue to be severely limited. It is unlikely that the government will be able to meet the needs facing it, not just in the social sectors, but also in areas such as roads and water supply systems. It is in the interest of the government to promote institutional pluralism in order to enhance popular participation and sustainable development. The present governmental will to serve the people combined with actual weaknesses in service delivery capacity provide an opportunity to accent the role of a plurality of actors, including the NGOs, CBGs and the beneficiaries themselves in promoting sustainable development in the country.

57. The conclusions being drawn by this mismatch between pressing local needs and scarce national resources has forced the government and encouraged donors to start looking for additional institutions through which to direct needed resources. The government's major initiative has been to advocate a large-scale move towards **decentralization of government**^{11/} from the center to the districts in the hope that by bringing control closer to the people, government officials will be made more accountable, more responsive and more flexible to local needs, that spending will become more efficient, and that collection of tax revenue will be enhanced. Under this program, control over field personnel will be shifted from Central Government ministries to the District Executive Secretary (DES). Beginning with the 1993/94 financial year, district votes will be created in the national budget, so that recurrent expenditure for field-based services will be sent to the District directly, with the DES becoming the District Accounting Officer. Ministry headquarters will be streamlined to a core of policy makers, standard setters, and inspectors.

58. Within this framework, the Government's efforts in the next few years will be focussed on the remaining recovery and reform agenda, namely: further lowering of inflation; improvement of tax administration with a view to increasing tax revenue; increasing the effectiveness of Government services through expenditure prioritization, civil service reform, and decentralization; divestiture of a significant number of public enterprises to the private sector; recapitalization and deepening in the financial sector; and social sector development.

59. In addition, acknowledging its own limitations and recognizing the work which has been done by NGOs and CBGs on their own initiative, the government has begun to examine ways by which these capacities can be tapped into by both government and official donors "to help address the urgent social sector problems at the grass roots."^{12/} The government has proposed the establishment of a **National Community Action Trust** and, at the district level, **District Community Action Trusts**. No clear structure or function has been identified for these bodies, but they represent an attempt to identify alternatives modes of operation and indicate a positive disposition towards local community initiative and the work of NGOs.

^{11/} See "Uganda District Management Study", Green Cover Report No. 10695-UG, World Bank, June 30, 1992.

^{12/} Budget Speech, Minister of Finance, July 1992 (see annex 1).

Chapter Three. The Economic Rationale, Character and Role of NGOs in Poverty Alleviation

A. The Economic Rationale for NGO Intervention^{13/}

60. The economic rationale for NGO activities is linked to the rationale of the public sector as a whole in overcoming the factors that impede full economic efficiency. Economic efficiency assumes that there are a large number of producers of each commodity and that none of these producers has the power to influence prices individually. In reality, monopoly and monopsony are common in both less developed countries and industrialized countries. Exploitative social arrangements are particularly widespread in less developed countries and limit free choice. The model of perfect competition that is presumed to maximize economic efficiency requires that all actors have complete information, a condition that is far from being achieved where education and literacy levels are low. It also assumes that transaction costs are low although they are in fact quite high in remote areas with poor transportation and communications infrastructure.

61. Economic efficiency in production and exchange takes the existing distribution of income and wealth as a given. As a result, it has an inherent status quo bias that is undesirable in conditions of widespread poverty. At each alternative distribution of income and wealth, there would be different equilibrium points for economic efficiency and the choice between these is a matter of social values, not economics. In practice, most economic changes will benefit some at the expense of others.

62. The Kaldor-Hicks criterion is used as the basis for making judgments of economic efficiency in cost-benefit analysis. It states that society is better off if the total benefits to some exceed the losses to others because compensation could potentially be paid to those negatively affected, whether it is paid or not.^{14/} This criterion does not judge between different income distributions -- it only says that actions should be taken if losers can potentially be compensated. For this reason, the Kaldor-Hicks criterion may be an insufficient or even an unacceptable guide to social action under conditions of widespread absolute poverty.

63. Economic theory also provides other justifications for why interventions are needed in private markets to ensure that socially optimal results are achieved -- the concepts of externalities, collective goods (including pure public goods, equity goods, and merit goods), and common property resources. These justifications apply to interventions by either the public sector (government) or the non-profit/voluntary sector (NGOs and CBGs) under conditions of market failure (see paras. 207-213 for an elaboration of this within the Ugandan context). The choice of the appropriate sector or sectors for interventions depends on the relative efficiency and effectiveness of the specific institutions and social and political values.

64. Externalities are the spill over effects of the production or consumption decisions of one group of people on other producers and consumers, which are not directly reflected in market transactions between these different groups. Due to these uncompensated losses (or

^{13/} Eric Hyman, Economist (Consultant), and Lucy Goodhart, Economist (Intern), contributed substantially to the preparation of this section and overall review of the report.

^{14/} Combining Facts and Values in Environmental Impact Assessment: Theories and Techniques. Eric Hyman, Bruce Stiffel, David Moreau, and Robert Nichols. Boulder, Colorado. Westview Press, 1988.

gains), the welfare of the affected people will decrease (or increase). In addition, from the viewpoint of society as a whole, the level of production or consumption of the goods and services that have external effects will be skewed away from the economic optimum. As a result, there can be a discrepancy between the social and the private benefits and costs of an action.

65. The classic example of a negative externality is industrial pollution that results in uncompensated health care costs or reductions in longevity, damage to materials and structures, reduced agricultural productivity, higher industrial costs for treatment of air or water before use, cleaning costs, ecosystem damage and decreased recreational and aesthetic values. Externalities may also be positive such as education and training that builds human capital resources for the future benefit of other producers and society as a whole. Some services that are frequently provided by the public sector, such as fire control and trash pickup, could be provided by private sector firms that charge for services, but involve externalities.

66. Externalities can be reduced by changes in the policy and regulatory framework (including assignment of liability and rights of compensation). They can also be reduced by use of taxes to discourage activities with harmful spill over effects and subsidies to encourage those with beneficial effects. NGOs and CBGs can play an advocacy role in lobbying for policy changes that would internalize externalities and can implement projects that mitigate negative effects of externalities on people and the environment.

67. Collective goods are goods provided by the public or quasi-public sector that would not be produced at all or would tend to be undersupplied (from the perspective of society) if the private sector were solely responsible for their production and distribution. Collective goods include pure public goods, equity goods, and merit goods. Many collective goods can only be supplied in increments that are not easily divisible ("lumpy"), so it is not possible to provide them in the amounts that various individuals would choose to consume. Some collective goods are not indivisible, but the high capital costs, large investment risk, or lack of information associated with production and use of some goods and services would preclude private sector involvement.

68. The concept of pure public goods was first introduced to justify government expenditures on national defense, control of communicable diseases or vectors, telecommunications, and flood control measures. Pure public goods are characterized by 1) zero marginal costs of provision to an additional user once they have been produced and 2) high exclusion costs of preventing people from using the goods without paying for them. The latter characteristic is known as the "free-rider problem".

69. The costs of providing pure public goods can be recouped through general tax revenues, donor support, or lump sum charges. Some services provided by the private sector such as radio and television signals fit the definition of pure public goods, but are not financed by the users or the public sector; in this case, by advertising revenues. A change in technology, such as the ability to wire housing for cable transmissions instead of open broadcasting, can make it possible to exclude users who do not pay for a service.

70. While pure public goods are a subset of collective goods, many collective goods have none or only one of the two defining characteristics of pure public goods. The cost of many collective goods can be recovered through user charges because free riders can be excluded. For example, tolls can be used to restrict non-payers from taking advantage of road

construction and maintenance services. However, users might not be charged at all if the costs of administering the charges would exceed the revenues that can be obtained.

71. If the individual demands for pure public goods can be identified, then they can be aggregated to find the total amount that society would be willing to pay for them. In practice, it can be difficult to determine the true demand for a pure public good because people may have incentives to distort their true preferences in surveys if they expect that they will be taxed in accordance with their stated willingness to pay.

72. The number of cases that fit the strict definition of pure public goods is small, but one example that can be provided by an NGO is applied research to develop and adapt technologies appropriate for use in less developed countries, particularly for small-scale producers who cannot take on this task for themselves. External assistance can play a catalytic role in upgrading traditional technologies as the investments needed for this purpose are not likely to be made by the private sector even though they may be relatively small.

73. Small enterprises do innovate, but they do not have the ability to conduct their own R&D or testing of a new technology. Nevertheless, they can adapt to simple changes rapidly and at low cost. Despite the potential benefits from development of technologies for the bulk of the producers in less developed countries, governments and universities or science and technology institutes have generally focused research on technologies for larger-scale enterprises.

74. Equity goods are goods and services that a society deems all people have an inherent right to enjoy in some basic minimum quantity. They may be provided directly by the public or quasi-public sector or through reimbursement of the private sector's costs (as with food stamps or housing vouchers). This concept is related to the basic human needs justification for interventions in private markets.

75. Policy makers often decide not to exclude nonpaying users of equity goods. Although public parks are excludable and many governments do charge entrance fees for them, urban parks are commonly categorized as equity goods. In fact, the private sector also develops and operates certain types of parks in some locations. Up to a certain point at which congestion costs reduce the value of the experience for users or damage the environment, adding one more user might not result in any additional costs.

76. A large proportion of NGO and CBG activities in less developed countries fits in the category of provision of equity goods. Examples include programs for water supply and sanitation; health care, disease prevention, and family planning services; extension services for agriculture, animal husbandry, forestry, and fisheries; housing supply and construction of sites and services; and distribution of clothing. The mechanisms for this assistance vary in degree of subsidization and reliance on private sector channels for production and distribution. The focus may be on the supply side (charity or disaster relief) or on increasing the effective demand for basic human needs by boosting income (development).

77. Merit goods are goods and services that a society believes should be purchased in greater quantities than individuals would otherwise buy in an open market at the prevailing price. This concept is similar to that of a positive externality. The most commonly cited example is education, which is often subsidized or free to encourage greater consumption on the grounds that it allows people to become more productive and better citizens. If the full costs of education were charged to recipients, many people in less developed countries or industrialized countries would not be able to afford the high up-front expenditures. In most

cases, a prospective employer would be unlikely to make this investment on behalf of individuals because it would be difficult to ensure that the employer could recapture the future benefits. The recipient of the education could take another job or even leave the country. While training provided by NGOs is shorter in duration and more focused on a specific subject than general education, the same justification for intervening holds.

78. Some merit goods are less tangible than education or training, but may nevertheless be important to a society. Examples of merit goods that are difficult to value in monetary terms include promotion of increased participation in public life, freedom of expression, human rights, and the development of a diverse, democratic society. NGOs and CBGs can make a direct contribution to these goals by raising the consciousness of local people and helping them increase their ability to communicate effectively and have influence. The programs of these organizations can also make an indirect contribution by enabling people to improve their livelihoods so they can benefit from education and work opportunities and free up time from basic subsistence. Ethical or behavioral codes can also motivate collective actions; for example, burial of the dead.

79. Collective goods can be provided directly by the public sector or contracted out to private firms or NGOs. With the exception of pure public goods, the cost of most collective goods can be fully or partially recovered through user fees if that is considered socially desirable. Cost recovery can be an indication that people value the services. Often, however, there may be valid social objectives for not recovering the costs either because that would reduce the usage level to less than the social optimum or to redistribute income. These services may be financed through tax revenues, external donors, or private charities within the country.

80. Common property resources are natural resources controlled by a group of co-equal users drawing from a single pool in the absence of well-defined property rights for the use and transfer of the resources. If open access is allowed to common property resources, the stock of the resource may be depleted because individual users have little incentive to conserve the resource for the group and the resulting overexploitation can exceed the maximum sustained economic yield. This phenomenon has been called "the tragedy of the commons".^{15/} It is also a type of negative externality because the resources extracted by one person are no longer available for others and may also reduce the reproducing stock.

81. Common property characteristics do not necessarily lead to resource and environmental problems. Establishment of private property rights over common property resources is not necessary to prevent the carrying capacity from being outstripped. Many traditional societies and modern governments have evolved mechanisms for controlling access to common property resources to prevent overexploitation, such as restrictions on the number of users, seasonal or geographic limitations on harvesting or grazing, use quotas, or taboos. As a result, market interventions may not be needed to conserve these resources for optimal use.

82. However, due to the breakdown of traditional systems of authority and cooperation and the weak enforcement ability of governments to control access, the efforts of NGOs and CBGs may be needed for better management of common property resources. Examples of possible NGO or CBG interventions include organizing and training users, financing

^{15/} "The Tragedy of the Commons," Toward a Steady-State Economy. Garrett Hardin. Edited by Herman Daly. W.H. Freeman, San Francisco. 1973.

restocking of the resource or dissemination of better harvesting or regeneration techniques, and lobbying for regulatory changes may be needed.

83. In political systems that are non-democratic, the accountability of executive agencies is also low and there may be few effective checks and balances from other branches of government. NGOs acting as advocates for poor, under-represented groups can be a counterbalance to government actions or omissions when lack of free voting rights and open public expression impedes government accountability.

84. In sum, NGOs have an economic role to play in providing the collective goods that would otherwise be undersupplied or not supplied at all, by the private market. They may produce these collective goods on their own initiative or at the behest of government and acting as the government's agent. In this case the role of NGOs in relation to government and the public sector may be thought of as complementary and sometimes supplementary. However, NGOs are often distinguished from public and private agents by their social commitment, closeness to local issues, innovativeness, and low labor costs. These characteristics are the basis for a potential comparative advantage for NGOs in providing public goods and services. In addition, NGOs (and other community organizations) can assist in the formulation of allocation rules for common property resources. Finally, and perhaps most important, NGOs can serve as a catalyst to civil society, giving voice to the needs and preferences of people (particularly poor people) who are currently under-represented in the political system.

B. The Character of NGOs in Uganda

85. For the purposes of this study, Ugandan NGOs were generally characterized as a diverse range of non-profit groups, committed to the betterment of the neediest, the protection of the environment, and the welfare of the community. Their heterogeneity means that the options for classifying NGOs are numerous - most of which do not have much practical application. What is needed is a classification which is functional and relevant to the user. Therefore there is need to know what the purpose of NGOs is and then to classify them accordingly. The system of classification will then vary with the user. If control is an issue for the host government then it should classify NGOs according to which control mechanism is appropriate. The Uganda NGO Statute does this to a certain extent by requiring locally based NGOs to be approved by local Resistance Council (RC) committees (District-level political institution established under the current regime) while requiring foreign-based NGOs to be approved by their respective embassies or high commissions.

86. The Bank has been working with NGOs at different points in its project cycle and as part of an ongoing policy dialogue. Therefore, a functional approach to classifying NGOs would be helpful in assessing more precisely how they can best contribute either geographically or by sector. For example, in the implementation of projects some NGOs may wish to be involved in a Bank project while others may not. Even those who wish to be involved may not have the necessary skills and resources to operate in a way which fulfills the Bank's requirements, particularly with regard to matters of procurement, disbursement and accountability. It may therefore be appropriate for the Bank to classify NGOs according to their willingness and capacity to implement projects in any given sector.

87. For other tasks such as identification or appraisal of projects or as part of a sectoral review, implementation skills are not nearly so relevant. Instead, close links with local communities, knowledge of a particular sector or an ability to represent intended beneficiaries

would be the desired attributes. In this case, a well-informed organization created as a result of a community initiative will have much greater value than a large and organizationally-sophisticated, but remote NGO. In these cases the Bank should be interested in identifying NGOs according to their ability to represent communities' interests faithfully. A catalogue of selected NGOs could be maintained using these criteria. Other donor organizations may also find this a useful way to classify NGOs or they may find it more appropriate to use a classification system which is more in line with their objectives in working with NGOs.

88. Following from such a classification, the Bank would be in a better position to collaborate with NGOs to fulfill certain roles in the same manner as it would with private sector firms. NGOs presumably will exhibit their comparative advantage in these instances either through lower costs, e.g. staff will work with less monitoring or at reduced salaries, or through better quality, e.g. participatory methods of decision-making lead to better decisions, enhanced ownership and longer-term sustainable development.

C. The Historical Evolution of NGOs

89. In the early 1960s NGOs prospered in newly-independent Uganda. Mission-based organizations were increasingly supported from funds donated by their parent organizations outside the country. Other international relief organizations, such as Oxfam, developed close relationships with these same groups. Growing government services however were intended to replace NGO services where possible and the NGO role was considered transitional, primarily confined to rural and remote areas unserved or under-served by the government. Government chose to seek control of NGO activities, rather than claim partnership.

90. Under the Amin regime, control became a greater political force and with the gross abuses in human rights most of the foreign NGOs withdrew and foreign support for indigenous NGOs declined. By default the religion-based groups again took on the role of provider of services and today, the churches not only provide inputs for the economy, but also provide consumer goods, training and extension services, and services responding to basic human needs.

91. The advent of the NRM Government and the return of political stability has led to a review of the Government's attitude towards NGOs. It has permitted a rapid expansion of indigenous and local NGOs and in 1990 began the process of regulation and registration. A 1990 Directory published by DENIVA^{16/} (a major indigenous NGO network) listed over 200 formally established NGOs.

^{16/} A Directory of Non-Governmental Organizations in Uganda, DENIVA, 1990, Kampala.

Table 1: Numbers of NGOs by Date of Formation in Uganda		
Year	All NGOs ^{17/}	NGOs whose primary activity is relief or development
pre-1960	18	12
1960-69	13	1
1970-79	20	13
1980	11	7
1981	20	11
1982	12	6
1983	18	7
1984	8	5
1985	15	9
1986	25	18
1987	48	25
1988	51	31
1989	48	27
1990	73	50
1991	36	28
1992	31	26
Total	447	276

92. The new registration Board of the Government has already received over 100⁷ applications for registration as of January 1994. There are about 25 foreign NGOs currently registered with the Government.

93. In the years since 1986 many more NGOs have emerged to assist with rehabilitation efforts. Most NGOs have now turned the corner from relief to development and advocacy, and are now seeking to strengthen their technical, planning and managerial capacities and secure sustainable funding. Now they have been involved in a variety of activities including delivery of social services, advocacy, mutual self-help, income generating projects, relief and

^{17/} From "Realizing the Development Potential of NGOs and Community Groups in Uganda", Government of Uganda, Ministry of Finance and Economic Planning, a report prepared by J. B. Kwesiga and A. J. Ratter, October 1992, March 1993.

Box 2. The NGO Registration Act

Since the introduction of legislation requiring NGOs to register with the government, over 800 have been officially registered out of more than 1000 which have applied. Most of the difference between these two figures represents a back-log of applications waiting to be processed.

However there has been a great deal of dissatisfaction with the legal framework. Some of the main grievances are outlined below.

- No systematic attempt has been made to define what an NGO is. The definition contained in the Registration Statute is unsatisfactorily vague and has not helped in determining which organizations should register.
- The present registration requirements were inspired by a concern for security which is less pressing now than it was a few years ago. The current registration apparatus is not very effective at screening out bogus NGOs or at assuring quality.
- As part of the registration process, development NGOs are required to submit "workplans" to the National Board for NGOs, but no guidance is given on the format or content so submissions vary enormously. Although NGOs are required to submit annual expenditure reports and budgets to the District Development Committees, the level of compliance is extremely low.

social welfare programs. Some work with village groups or needy individuals, others work with larger communities or religious bodies, while others work through the government service delivery systems. Their motivations range from the religious to the purely philanthropic to purely developmental. Organizationally they range from informal groups organized at a grassroots level with few resources available to them, to indigenous, formally organized groups, to umbrella groups, to local chapters of international NGOs, and to foreign NGOs with large budgets and expatriate staff. These different NGOs and CBGs are often related to one another in a variety of ways, for example, through funding mechanisms or informal cooperation.

D. The Changing Roles of NGOs

94. NGOs are becoming increasingly visible as contributors to national development in most developing countries. Uganda is no exception to this trend. They are functioning in both rural and urban environments, raising and disbursing a growing volume of funds. They claim to speak on behalf of the poor and the needy and are becoming more vocal in their demands to participate in policy as well as implementation.

95. NGOs have been encouraged in their activities by donors and development specialists, because there is a growing awareness that development is more likely to be successful and sustainable if it is planned and implemented with the active participation of those whose lives are most likely to be affected by it. Their reception by governments has been more tempered since it is often felt that NGOs compete for the same scarce resources as does government, are sometimes politically suspect, and tend to be openly critical of government efforts.

96. One aspect that is unique in the Ugandan context has been the crucial role NGOs have had to play in helping to fill the gap caused by the virtual collapse of social and civil structures. Twenty years of civil war and social unrest resulted in a virtual collapse of all

Government services, depletion of the country's stock of educated civil servants, and ravaging of the resources and materials available for social services.

97. The Ugandan people were forced to turn inward for their own resources and to collaborate to assure their own survival. Community self-help groups emerged and the faith-based NGOs (some of the few remaining organized institutions) continued to provide humanitarian assistance and basic services to the populations they ministered to. Private schools functioned when government schools failed, private clinics provided minimal services when government clinics collapsed. NGOs stepped in to provide emergency relief when war, conflict and disease could not be assuaged through government efforts. In the years since 1986 many more NGOs have emerged to assist with rehabilitation and development. Even those NGOs which have been involved primarily in relief work have moved on to development and policy advocacy activities.

98. Only recently has the Government created a new **Statute and Statutory Instruments** (the Registration Statute, no. 5, 1989 and the NGO Organizations Regulations-statutory instrument, no. 9, 1990) to register and regulate all NGO's working in the country. NGOs are required to register with the NGO Board in the Ministry of Internal Affairs.^{18/} Of the 703 organizations that had applied for registration by December 1992, 15 have "relief" as a primary activity, 430 have "development" and 258 have some other. Of the 258 organizations that have "other" as a primary activity, 248 have evangelism as subsidiary activity. Of these 248 primarily evangelical organizations, most of which are small in terms of numbers and resources deployed, 195 claim "development" and 40 claim "relief" as a secondary activity. The Prime Minister's Office has convened monthly meetings to share information and address NGO grievances. Attendance at these meetings has been entirely voluntary and unrepresentative with usually around 50 assorted organizations participating. The External Aid Coordination Department of the Ministry of Finance and Economic Planning has taken on the task of incorporating NGOs in the overall national development planning process. But coordination between these offices is poor. Although there are several associations of NGOs, information sharing, particularly within related sectors remains weak.

99. The Government has reiterated its commitment to poverty alleviation on a number of occasions and recognizes the role NGOs are playing in collaboration with donors and government. For example, the PAPSCA and NRP projects financed by IDA entail NGO involvement, particularly in implementation. The government possesses the legal and regulatory instruments to register and monitor NGOs but recognizes, at the same time, that their overall involvement into the National Planning and Development Process is inadequate. For example, in some instances NGOs are concentrated in a locality where a specific problem exists (e.g. AIDS in Rakai) while there are weaker responses to other areas where the same problem persists (e.g. Gulu). Information about the existing and potential capacity to facilitate NGO contributions by strengthening their relationship to donor and government efforts needs to be acquired.

100. NGOs and community groups have been identified as a significant complement to government and the private sector for the implementation of strategies directed at poverty

^{18/} Earlier NGO statutory instruments include: Statutory Instruments 89 and 103, 1970, The Finance (Remission of Sales Tax) (Charitable or Religious Organizations) Order and The Finance (Remission of Duties) (Charitable or Religious Organization) Order; and Statutory Instruments 154 and 155, 1970, The Customs Tariff (Remission of Duties) (External Assistance) and the Order and the Sales Tax (Remission of Tax) (External Assistance) Order. However, statutory instruments 89 and 103 have subsequently been withdrawn following the 1993/94 budget.

alleviation. Such strategies include the World Bank initiated "Socio-Economic Development Fund" (SEDF) or "Social Action Fund" (SAF). A recent World Bank report on design and implementing projects recognizes NGOs' and community organizations' close connections with low-income groups and the advantages such connections offer in project design and management.

101. Other donors have expressed similar optimism in NGO-donor partnerships in support of poverty alleviation. Indeed conventional wisdom suggests that NGOs are very good at what they do. However there has been little empirical evidence to justify or contradict the conviction that NGOs do well at the grassroots level, or as some state the case, do better than governments in delivering goods and services to the poor. One exception noted in the Bank's Social Sector Strategy for Uganda cited a recent survey of hospital costs in three government and two NGO hospitals, showing that spending per inpatient in 1989/90 by the government hospitals was approximately double that in the NGOs suggesting that operational difference in these institutions must be substantial. But, in general, there is a wide range in the level of achievement. However, it should be noted that most hospitals are church supported and would be resist being labeled NGOs. Also, NGOs may be seen as contributors to improving public health services as well as substitutes.

BOX 3. Donor-NGO Relations

Many international NGOs - Oxfam, Lutheran World Federation, Save the Children Fund - emerged out of a collective concern for social problems and short term emergencies. Voluntary activists got together to mobilize support from a multitude of sympathizers and appointed permanent staffs to manage relief and rehabilitation programs. The latter were selected for commitment as much as competence, and worked long hours for low wages. As private agencies they were subjected to limited supervision (for example by the British Charity Commissioners) but made independent policy and management decisions.

The best of them have been enormously successful, and now not only manage million dollar budgets derived from widespread public support, but also run large projects for official donors who are unable to find reliable partners in the local state systems. These donors have their own priorities, procedures and objectives which can be at odds with those of their NGO partners, thus creating bad feeling and delays which can seriously damage project performance. Some examples of this follow.

Action Aid was contracted through a World Bank funded project to manage a rural development project in Kamuli District. Differences over strategy and methods of payment led to more than eighteen months delay, and required an expensive contractual re-negotiation. Since then procedural delays and inefficiency in the Government's Monitoring Agency have further delayed implementation. Thus a project initiated in 1989 has only started because Action Aid's has been able to put its own money up front.

In 1989, the Lutheran World Federation began negotiations with DANIDA on a similar project in Rakai District. Initially it was to be the major implementing agency. It drew up a comprehensive plan based on local research, but then found it difficult to reach agreement with DANIDA on details of the project. After considerable delays, the work was divided and DANIDA took on the major portion. LWF's role was mainly confined to school rehabilitation.

Save the Children Fund has now been involved in negotiations with British ODA for two years over a proposed health program in Kumi District. There were difficulties in arriving at agreement over the approach, management structures and responsibilities. In most of their ODA projects SCF puts up more than half the resources, and have been given full autonomy. In this case, the project was to be fully ODA funded, and SCF was initially faced with greater demands for external control than they were prepared to accept.

102. NGOs do not necessarily have the reach and penetration to the poor (particularly in remote areas) which it is often assumed they do. A study (de Coninck, 1992)^{19/} of the activities of two NGOs, ACORD (an international consortium of twenty European and Canadian NGOs) and the Uganda Women's Finance and Credit Trust. In the former, the study indicated that despite local partnerships, lack of geographic penetration and lack of knowledge of the region were amongst the contributing factors to the collapse of the project. In the case of the latter, although some activities functioned well, optimal delivery of technical assistance was impossible because of the centralized nature of the indigenous NGO.

103. NGOs are now involved in a wide range of activities covering many different aspects of development. In health, mission hospitals provide over 50% of the bed-nights and provide many of the other health services such as primary health care, training of Village Health Workers and Traditional Birth Attendants, family planning and dispensaries. Other NGOs such as CUUAM provide support both to the mission infrastructure and the government system through the provision of expatriate personnel and other resources.

104. In education the emergence of local Parent Teacher Associations (CBGs) has kept schools running through the turmoil of the last twenty years and making them financially viable when government spending on education has been severely reduced in real terms. Education is one area which seems to be particularly conducive to community-based organization due to mutual interest and the high value placed on education.

105. NGOs such as Uganda Women's Efforts to Save Orphans (UWESO) and The AIDS Support Organization (TASO) have been very active in promoting social welfare. These activities include providing material relief to orphans, widows, the handicapped and AIDS sufferers in the form of counselling, food, building materials, household goods, agricultural implements and income generating assets.

106. A number of NGOs have been formed to play an advocacy role for certain groups. There are a number of women's groups presenting gender issues, some of which have a high profile and have been very successful at highlighting issues. One, Action for Development (ACFODE), has a regular page in one of the main daily newspapers. There are a number of human rights organizations and NGOs such as Oxfam speaking out for the marginalized Btwaa people who are currently subject to resettlement as part of a reforestation project in the south west of the country.

107. Other NGOs such as Uganda Rural Development Training (URDT) and Volunteers Efforts for Development Concerns (VEDCO) have been involved developing community participation, attempting to mobilize communities through participatory development whereby communities establish their own priorities for development.

108. In addition to these activities, in the absence of private sector investment, NGOs and CBGs can also be seen to be involved in a number of infrastructure and income generating projects such as agricultural extension work, small-scale rural infrastructure - shallow wells, pit latrines and even small bridges, large scale relief activities, income-generating projects, small-scale credit projects and many others.

^{19/} "Evaluating the Impact of NGOs in Rural Poverty Alleviation - a Uganda Country Study," John de Coninck, ODI Working paper no. 51, 1992, London.

E. Leveraging Limited Community Resources

109. The ability of NGOs to outperform government in certain areas is what has attracted both government and donors to them. They have continued to operate in areas where government services have broken down and the levels of service provided by NGOs is acknowledged as being, on average, higher than any from government. CBGs have taken the initiative to organize for their own development rather than wait for and rely on the Government to meet their needs. Both types of organization have been able to operate with very limited resources, getting the maximum out of those resources available to them, whether they be people, money or materials. However, in fairness, it should be added that government resources, in relation to the demand upon them, are even more limited than NGOs and CBGs.

110. The government and donors often see NGOs and CBGs as organizations with capacities to be tapped in order to address urgent social sector problems. The attitude of the government and donors has been to use them as resources, as private contractors for public works or social services who exhibit particular characteristics which allow them to reach more disadvantaged groups with more effective services at a cheaper cost. At the extreme, both the government and donors are looking to these groups to provide tangible, measurable and accountable results which satisfy the terms of specific contracts designed to fulfil their objectives.

BOX 4: Action For Development (ACFODE)

ACFODE is a national level women's NGO, founded in 1985 by NGO participants in the UN's Decade for Women Conference in Nairobi that year. Inspired by similar activities described by NGO representatives from other countries, ACFODE was designed to provide a forum for women to discuss issues concerning women in development and women's rights. Its objective is "to uplift the status of women in all spheres of public life; politically, socially, economically and spiritually and to integrate them into National Development". Originally registered as a company, in 1989 it registered with the NGO Board.

ACFODE's activities include training women in their legal rights, conducting research on gender issues (some of which is commissioned by GoU or UN bodies), public education about women's issues, media work, advocacy, and networking with other women's organizations in Uganda and elsewhere. ACFODE's legal program is widely respected for generating "legal literacy" amongst all classes of women, for challenging discriminatory laws and practices, for publicizing and fighting Domestic Violence and for taking up other issues of women's rights. In 1990 they researched a report for the government on Uganda's progress in implementing the UN Convention on the Elimination of all Forms of Discrimination against Women.

ACFODE's research activities also includes a study for ILO on women's income generating activities in Luwero District and an analysis of reasons for high girl school drop-out rates. The research often provides the information for public education and lobbying work, including campaigning for law reform or policy changes. Their publicity work also includes training for journalists in gender sensitivity, running a weekly page in Uganda's leading newspaper, weekly Legal Counselling in four local languages on radio, and preparing simple materials for girls on sex education, women's careers and other subjects as well as an occasional magazine "Arise" for a more educated audience, and pamphlets on legal issues such as inheritance and property rights, will-making and sex offenses. ACFODE's lobbying has been influential in the decision to create a Ministry for Women, and in persuading the Ministry of Education to include Family Life Education into the school curriculum.

ACFODE works on a pilot basis in one county in each of four Districts (Kiboga, Rubabo, Kioga and Pallisa) as well as Kampala. There they work closely with existing women's groups and with the RC and other existing structures. Their experience is that women's projects often fail, either because successful ones become taken over by men, or because of legal, traditional and cultural constraints (such as that women do not enjoy the same traditional ownership of land that men do).

ACFODE has experienced much opposition and difficulties. They are frequently attacked by men for instilling "modern" or "Western" ideas into "their women", and on some of the issues they take up (such as opposition to the "bride price" practice) they find little support from women in general. However their achievements greatly outnumber their disappointments.

ACFODE's 300 individual members elect a 18 person Executive Committee which is supported by a Secretariat of 18 full-time staff. Some of the funds come from business ventures (particularly their "Job Center" which provides secretarial and other services, and organizes women in management seminars), and from local fundraising (a Charity Walk raised US\$ 4 million/-), but they are dependent on funds from Oxfam, the ODA (via Action Aid) and other donors. In contrast to Aringa Development Project, ACFODE is predominantly run by well-educated middle-class people, but its commitment to enhancing the rights and living standards of the poor is as strongly held, and its effectiveness is very evident.

111. However, this is not usually how NGOs and CGBs especially perceive themselves. While there are many which may be content to take on the role of public service contractor there are also many who value their own priorities above those of the government or donors and are unwilling to displace the values which determine those priorities by responding to the demands of those who would use them as contractors. Their priorities may often be less tangible with **greater emphasis on qualitative rather than quantitative goals** which in turn are less easy to measure or to account for. These may include such goals as increasing community awareness, organizing through participatory methods, developing in people the ability to organize themselves and exercised control over their own lives. In this respect many of them **view and define development differently** than how the government or the Bank would view and define it. As a result they can often be **process rather than product oriented**.

112. Those who provide public services, such as the church-based health providers who operate hospitals, dispensaries and clinics, and provide health care coverage at primary and other levels, may be willing to accept financial and other support for their work or for small projects. However, they are often be very aware of limits to their organizational capacities and reluctant to expand their operations to cover new areas of the country not presently served by anyone.

113. Some NGOs, seeing the increase in interest from both government and donors, are likely to view such interest with suspicion. They perceive that they are being subjected to restrictions and controls, and that they are being pressurized or forced to meet others' priorities and goals rather than their own. They see themselves in danger of being used and are resistant to this. On the other hand, others discount these fears and are anxious to get on the bandwagon.

114. Given the real and potential conflict of attitudes and interests, there is a need to move towards a better understanding of the potential for NGO/government/donor relationships. Such an understanding needs to be based on mutual respect and a partnership approach, which acknowledges both that there are advantages to be gained from working together but also that there are limitations which need to be recognized. Given these limitations, the government needs to confirm its commitment to a free and open environment which allows initiative and innovation to flourish at the individual and community level, but at the same time provides opportunities for partnership where both parties are willing and able to contribute.

115. The government and the Bank can enhance and facilitate this relationship. NGOs' capacity to absorb and utilize resources is limited by their administrative and managerial capacities. Government and the Bank can take steps to develop these capacities and, by doing so in an attractive and non-coercive manner, can defuse some of NGOs' natural suspicions of authorities desiring to regulate, control or direct them. Possibilities include providing places for NGO staff on specially crafted management courses and in encouraging them to include provisions for training, office equipment, administrative overheads and other capacity-building expenditure in their applications for funding, and by readily approving such expenditure. It should therefore be possible to encourage international and large indigenous NGOs to become involved in this **capacity-building process** by assisting smaller NGOs and CGBs to gain access to resources and by developing training programs for them. This already happens to some degree, for example, ACFODE has an expanding program of training for NGO staff and for other organizations. TASO has created a niche for itself as a trainer of AIDS counsellors. In addition, it should be noted that "capacity building" needs to be seen as a

two-way process in which government and donors need their capacities developed to better understand and work with NGOs and CBGs.

Chapter Four. NGOs and the State: The Operating Environment

A. Benign Neglect or Banal Suspicion

116. The operating environment for NGOs in Uganda is, *prima facie*, a benign one, with less restrictions and more governmental interest than in most other countries in Africa or indeed elsewhere.^{20/} Once they have registered with the NGO Board they enjoy great freedom to implement their programs in accordance with their priorities and objectives and with remarkably little interference from government. This freedom enhances such NGO attributes as responsiveness to changing needs, flexibility, grassroots awareness and so on. On the surface, therefore, it would appear to be a very positive environment in which NGOs work. In many respects this is the case, but beneath the surface there is clearly some considerable mistrust, jealousy and misunderstanding on the part of some government officials towards NGOs.

117. The situation is compounded by explicit or implied suggestions from some donors that they see NGOs as alternatives to government. This is unfortunate since they do not present a sustainable alternative to government, but a range of complementary activities which if nurtured creatively can not only fill gaps in official service delivery, but also help strengthen government functions and invigorate the private sector. The rapid growth of NGO numbers has given rise to government fears in some quarters that their own authority and capacity is being eroded in favor of the NGO sector. It is actually unlikely that this has been the case. Increased support for NGOs has occurred contemporaneously with increased aid for government.

118. It is true that one reason for increased donor support for NGOs in Africa is the pressure for democracy and "good governance". In this respect NGOs provide important functions not just as service deliverers but as a voice for civil society. While this can appear threatening to some governments, Uganda's strong grassroots democratic structures (though with no political parties) already provide a relaxed environment for free speech and open government.

119. This element of suspicion has perhaps clouded government and NGO relationships and so weakened possibilities for coordination. There is little systematic effort to share experience or workplans, to discuss priorities, or collaborate in strategic planning. Government gives little positive encouragement for specific NGO activities.

120. Mistrust of NGOs is also compounded by the lack of clarity about the roles played by them. As "development alternatives" or alternative delivery mechanisms for social services they imply a challenge or threat to government departments. The term "alternative", often favored by NGOs, is misleading. In its strict sense it conveys a sense of choice between two competing approaches, and hence the sense of threat. The NGO sector as a whole in Uganda, however, clearly neither offers nor seeks to pose an alternative development path, in this sense. The sector is complementary to both the public and the private sectors. It does provide services (sometimes along-side government services) but NGOs often seek to work

^{20/} See Annex 7 for a description of Government bodies with responsibility for coordinating NGO activities.

with and strengthen government services, to mobilize communities for voluntary development endeavors, to give "voice" to the weak and poor, to act as conduits for local experience and local concerns, to innovate and experiment on a small scale, to support the informal sector, to support vulnerable groups such as women and minorities, and to build capacity at the local level.

B. From Development Ideology to Sustained Action

121. Mistrust arises in large measure because of the different motivations of staff in the public and NGO sector. At the extreme, some NGOs are vehicles for political opposition to the current regime (though this appears to be much less the case than in most other countries), and NGOs operating in the politically sensitive regions of the country are consequently viewed with particular suspicion. Religious faith is another powerful motivator amongst NGOs, and though many of their activities are said to include evangelism, this does not appear to be deepening sectarianism.

122. Even if not inspired by religious or political motives, the sense of idealism and human service which NGO staff frequently evoke when describing their organization's activities may seem dubious or threatening to public servants, who are in the same field but who simply seek to make a living. Such tensions can be exacerbated by material factors. Ugandan staff of both international and national NGOs enjoy considerably greater salaries than civil servants who ostensibly have far greater responsibilities (in practice they may not be discharging those responsibilities, and they may be engaged in various money earning activities on the side). NGO staff are also likely to have considerably better work facilities, such as access to vehicles, computers, training and equipment. They are also more likely to travel abroad, to enjoy job satisfaction, and to have the ear of donors. NGO staff employed in rural areas are similarly favored over their local government counterparts. Undoubtedly such material factors attracted many people to work for NGOs and have induced many others to start NGOs, in the quest for easy foreign money.

123. Differences in motives are compounded by the operational concentration of NGOs. They are able to choose to work in particular sectors in particular geographical regions, and can deploy sufficient resources to make a considerable impact on their chosen priority, which may be a "donor fashion". The Government, on the other hand, is trying to respond to all problems everywhere, and does not have the resources to do so. The "lumpy" activity of NGOs is often more visible than the "thin wash" of government.

124. Hence even though covert religious or political motives are probably not strong elements within the Ugandan NGO sector, and there is little evidence of serious deception, such factors appear to be used by government officials to justify their suspicion and efforts to increase controls on NGOs.

C. Registration and the Question of Internal State Control

125. Until recently the laws applying to NGOs have been very liberal. As noted earlier above, in 1989 an NGO Bill was declared (Statute Five) which was implemented the following year through Statutory Instrument Number Nine. The principal consequence was the setting up of the National NGO Board whose purpose was declared to be to register NGOs

formally, to give them advice and guidance, to monitor their activities, to advise ministers on NGO matters and propose further regulations and procedures, for example concerning taxes and visas. In practice the Board has extremely limited resources and has not been able to do more than the first task. It is widely known as the **NGO Registration Board**.

126. While it appears that no credible NGO would be refused registration, the procedure can be troublesome, especially for small NGOs based in remote areas. The letter of the Statute does not imply that all associations of people which are not registered under company or other acts should register as NGOs, whether employing staff or not, whether receiving external funding or not, and whatever their purpose. The statute is vague as to which organizations are required to register, but it specifically requires that NGOs must be registered with the Board before they may register under the Companies Act or the Trustees Incorporation Act. Though some officials say this is not the intended purpose, some clarification is clearly called for. Is it really necessary that very small village committees or community based organizations established with the help of funding NGOs should register? Many NGOs are spontaneous, and perhaps temporary, reactions by local people to local issues. Time consuming and confusing registration procedures limit the potential for NGO formation.

127. Another problem with registration is that it lends legitimacy and credibility to any NGO that manages to get itself registered. Because of an organizational inability to discriminate between "good" and "bad" NGOs, bad NGOs can register with relative ease. Thus, the current registration procedure does not even serve an information function of providing credible information to potential partners (government, donors, and other NGOs) on the capacities, scope of operations, and track record of NGOs. This information function can be served in one of two ways. First, the NGO community itself can adopt a code of conduct for NGO activities that sets very broad principles for NGO behavior and incorporates an institutional mechanism for evaluation and information. Second, an outside party, typically government, can establish and maintain a database that collects information using technical indicators of NGO capacity (i.e.: number of beneficiaries, area of operations, development partners) as a public liaison function.

128. The purpose of registration deserves spelling out; what benefits are intended either for the NGOs, the government or for development in Uganda? There is a common presumption that housing the Board within the Ministry of the Interior implies that the primary concern is that of security - guarding against wrong-doings of NGOs, rather than encouraging their merits (weeding out "bogus NGOs" is a commonly used phrase). Clarification is also sought on which NGOs are entitled to import goods duty free, to get permission to employ expatriates (and on what visa status), or to enjoy other privileges. At present the general perception is that these issues are decided on an ad hoc and arbitrary way. Even those who are eligible to receive them, such as Action Aid, find the process so time consuming and "hit-and-miss" that they frequently just pay the duty and do not try to get the exemption. Privileges are seen as functions of political patronage, and their withdrawal a punishment for currying disfavor, rather than as positive incentives to contribute to a clearly described government priority program. The Government claims that it lost 10 billion shillings in 1991/92 due to NGO privileges and estimates that about 16 billion was lost in 1992/93. However NGOs are unhappy about enjoying less government support than do official agencies, which can much more easily afford the duties. If privileges were awarded, not to particular agencies, but for participating in defined functions, the situation might become less controversial.

129. Though it is clearly not the intent, a strict interpretation of some aspects of the Bill would make life difficult, if not impossible, for most NGOs. One article forbids any member of NGOs deriving financial gain from their organizations, which would rule out cooperatives and most membership organizations. Another article requires seven days notice in writing to the appropriate RC if the NGO wishes to speak with people in that community, and another article requires District Development Committees to be consulted in investment decisions. Although it may have been formulated with the best intent, there is a danger that the NGO Bill will be seen as capricious and arbitrary. The Bill could also be interpreted as infringing people's rights to free association and free speech. **There is a case for substantially amending the NGO Registration Act with greater participation of NGOs and CBGs in the process.** In particular, this report recommends abandoning the current Registration Board at the Ministry of Interior. The classification procedure should be re-thought, as a mechanism for coordination and information sharing. As such, the data base would most logically be located in a technocratic arm of government, such as the Aid Coordination Department, in the Ministry of Finance and Economic Development. The tax classification of NGOs, which is an important and legitimate interest of government, should be left with the appropriate specialized agency, which in this case is the tax authority.

D. Regulation and External Donor Accountability

130. Donors, in their active search for new institutional arrangements to direct resources into development and poverty reduction, have been attracted to NGOs in recent years because of their perceived ability to out-perform government in certain areas. They have continued to operate in areas where government services have broken down and the levels of service provided by NGOs is acknowledged as being, on average, higher than any from government. While they are also perceived as providing benefits not just in service delivery but also in community mobilization and in providing "voice" for the poor, they are in danger of being considered primarily as public service contractors. NGOs, with their own vision and goals, are strongly resistant to such a perception. There is a need for any relationship between donors and NGOs to be based on mutual respect and a partnership approach.

131. Greater efforts to gain an appreciation of each other's work is likely to lead to richer opportunities for collaboration. NGOs must be allowed to remain NGOs and not be encouraged to become consultancies for government. Donors and governments, seeking collaboration with NGOs should guard the very advantages that attracted them to work with the NGO in the first place (flexibility, proximity to the communities, lack of bureaucracy etc).

132. Given that such a partnership approach is adopted on both sides there are significant differences between the way donors operate and the way NGOs operate, which can make working with the donors a difficult and frustrating experience for NGOs. A recent report by World Vision^{21/} identifies the major problems it experienced working with the Bank on the PAPSCA project.

133. Many of the differences can be attributed to a fundamental difference in outlook. NGOs use time frames of a few weeks for a "quick-relief" project, the Bank may use a three year time frame. The Bank takes a predominantly macroeconomic perspective to development

^{21/} "A Partnership with the Government of Uganda Using World Bank Funds, Lessons Learned from the Mid-term Review of the Uganda Orphans and Health Rehabilitation Program," World Vision International, September 1992.

while World Vision is concerned with the immediate economic and social concerns at village and household level. The Bank does not directly implement projects and must ensure that its loans are properly used and accounted for, while World Vision works directly with the poor or through CBGs which ensures close contact with beneficiaries and a source of ongoing beneficiary monitoring .

134. One major problem for the Bank at present is that by insisting on the use of cumbersome administrative, procurement, accounting and auditing procedures it precludes some NGOs from becoming involved in its activities. More effort on the Bank's part to simplify these procedures, and to have better day-to-day communications with these organizations, would open up opportunities not only for better Bank/NGO relationships but also for better Bank/small company relationships from which all sides stand to benefit.

135. These differences are reflected in the administrative procedures insisted upon by donors -tightly controlled, complex and cumbersome procedures for procurement, disbursement, accounting and auditing are all designed to ensure that funds are properly used and accounted for, but they remove any opportunity for flexibility to respond to changing circumstances and they require long periods to implement. For NGOs faced with these procedures for the first time it all comes as a shock and the delays and misunderstandings caused by these procedures cause a great deal of frustration which has a negative impact both on the NGOs' effectiveness and on their high standing in communities in which they work.

136. Regarding procurement, NGOs traditionally operate flexibly, delegating to staff responsibility for purchasing equipment needed locally, if available. NGOs often complain that their work quality and their close relationship to the communities in which they work are seriously damaged by requirements to follow complex and bureaucratic procurement arrangements (with the Bank being particularly criticized in this regard). It would be useful to study procurement requirements of other donors to establish which has the most liberal arrangements, without losing necessary safeguards. For example some are prepared to put up funds in advance, allowing the NGO to make purchases and then account for their decisions, rather than needing to obtain prior approval. This speeds up project implementation and avoids cash-flow problems for the NGO. In particular, the objective of encouraging local purchase, rather than purchase in Kampala, would appear particularly desirable.

137. In its report World Vision also mentions that, despite the procedure manuals, the Bank has failed to give the support it was supposed to provide to the NGOs. First, it does not have a consistent approach to its relationships with NGOs. Working with NGOs is a relatively new experience for the Bank, no pattern for such relationships has been clearly established and so, as task managers and other staff change, so do the relationships with the NGO partners. This has been disruptive to NGO efforts. Secondly, the Bank has failed in its commitments to provide basic project orientation and training. As a result of this many administrative mistakes were made which caused numerous delays and further increased frustration on both sides.

138. Remarkably, despite all its problems, the World Vision staff remain optimistic about working with the Bank. However it did have some clear recommendations to make. These included the following:-

- (a) NGOs need to be involved at the design stage of projects. Delays were caused due to NGOs being required to implement things that were unnecessarily complex or redundant.
- (b) NGOs need to ensure they have a thorough understanding of how the government handles Bank loans or, in the case of other donors, needs to understand the organizational mechanisms used by the donor.
- (c) the credit agreement or donor contract needs to be clearly written and understood so that expectations and responsibilities are clearly understood on both sides.
- (d) procurement procedures should be modified to account for small packages and weak cash flow.
- (e) flexibility should be built into project design.
- (f) it is essential to provide basic orientation and training at the outset of the project.

E. The Emerging Third Sector: NGOs, the State and Private Sector

139. Some donors suggest that NGOs might compete unfairly with the private sector. Subsidized mills or marketing cooperatives might put out of business those trying to provide a similar service on a commercial footing. It is clearly necessary to ensure that NGOs' income-generating activities (which are to be encouraged since they provide sustainability and self-reliance) are run on business lines. NGOs activities may also damage local enterprise when they import goods which compete with domestically available alternatives. However, such problems do not appear to be large (see Annex Five for an elaboration on collective groups and market competition).

140. There are many examples of NGO activities acting as a catalyst for local enterprise. Many NGOs stress local purchase wherever possible. LWF in Moya (which uses considerable timber in its building operations) has even financed the setting-up of a local saw-mill to meet the demand it generates. NGO innovations in small industry, processing and agriculture are quickly reproduced by local entrepreneurs once success has been demonstrated. NGO credit schemes such as Uganda Women's World Banking (UWWB) have stimulated increased investment in land and have fostered novel income-generating activities, with women responding effectively and with strong records of repayment. Similarly, the development of animal traction and group/cooperative formation has helped improve marketing in many areas.

141. Some argue that NGOs should not be seen as a "third sector", qualitatively different from the public and private sectors, but as a sub-set of the private sector which often chooses to work with the public sector. Others suggest that the third sector should be called the "collective action sector", and that it should form part of a continuum of sectors located between the market or private sector and the state or public sector.^{22/} NGO contributions

^{22/} Norman Uphoff suggests that "service organizations", as distinct from "membership organizations" (including NGOs that serve clients or beneficiaries, as distinct from NGOs and CBGs (grassroots organizations) that benefit themselves, i.e. their own members) should be considered as part of the private sector. "membership organization" and cooperatives would

to strengthening public services are analogous to those of international companies who are given management contracts by governments seeking to privatize or improve the capacity of parastatals, both to improve management capacity and guarantee an injection of investment. On the other hand, the NGO sector possesses unique characteristics revolving around a participatory development philosophy and approach, a value driven rather than profit maximization motivational basis for action, and alternative parameters for measuring success, e.g. community control and self esteem, which would qualify it as a distinct sector from that of the public or private sectors.

be placed in the "collective action sector" (see "Grassroots Organizations and NGOs in Rural Development Opportunities with Diminishing States and Expanding markets", *World Development*, Vol. 21, number 4, April 1993).

Chapter Five. Assessing NGO Performance in Poverty Alleviation

A. Measuring NGO Effectiveness and Efficiency

142. Because of the absence of reliable and comprehensive information on NGOs active in Uganda, any attempt to evaluate their general contribution to poverty alleviation in the country is severely restricted. Research in Uganda has been limited in the past twenty years and only a handful of NGOs have evaluated their activities to any great extent. This study has attempted to remedy that situation by creating a profile of the NGO sector and establishing the basis for an NGO database so that their special contributions to poverty alleviation can be further explored.

143. NGOs' work in relief, subsidized service delivery and income generation is intended to assist marginalized communities and individuals, and presupposes a significant transfer of real resources from wealthy individuals and countries to poor ones. NGOs have made a positive contribution in this regard, since they have mobilized resources and developed programs which would not have been forthcoming otherwise. Yet targeting the poorest is one thing, reaching them is another, since implementation of projects to assist the poor is notoriously difficult and well-intentioned strategies can have perverse results. The low levels of health-care, education, accessibility to safe drinking water and other basic needs, testify that the needs are far greater than the level of services being provided.

144. Conventional wisdom has assumed that NGOs have reach, quality and efficiency, particularly in comparison with government services. NGOs' claims in this area require careful examination. This study chose to assess the impact of NGO activities from the vantage point of those communities expected to benefit from the program or project. Three community studies were carried out within Luwero triangle to assess the coverage and effectiveness of service delivery by NGOs and CBGs in those communities. As described in the earlier section on study methodology, the communities were selected on the basis of such criteria as the incidence of poverty, the range of problems of underdevelopment, the presence of more than one operating NGO, the presence of an operating CBG, the penetration of government-based services, the availability of an existing database, and the mix of ethnic and religious groupings. Popular response and attitudes determined the extent of initial impact and longer term sustainability of these programs. At the same time NGO staff were also interviewed, their records reviewed and their opinions solicited through use of focus group techniques and individual interviews (see Annex 4 - field study). In drawing conclusions from the study it is important to acknowledge again the **financial and time constraints** that restricted the community study sample to just one district and select communities.

145. Before we can be satisfied with program performance a number of issues must be addressed - the status of the direct beneficiaries; the costs of implementation and alternatives foregone in the program; the distribution of the benefits and numbers excluded by the program design. While there is no doubt that many poor rural people in Uganda are significantly better off than they would have been without an NGO presence, it is also true that many more have not benefitted at all from their contribution. Their programs are almost certainly cost effective by comparison with those developed by government agencies. The community studies were limited in two respects. First, it was difficult to obtain cost data for either NGO programs or the government programs as a comparison. Secondly, while the community study methodology enriches the explanatory power of program statistics, it is limited in sample size and, therefore, lacks generalizability. The difficulties in measuring

performance of NGOs and CBGs is elaborated upon in Annex 6. In order to enrich the limited sample frame of the Luwero community studies, additional information on NGO performance has been brought into this section of the report. These examples come essentially from the monitoring reports of the NGOs themselves (annual reports, special evaluations, inter alia) as well as other studies focusing on performance.

146. There are many NGOs in Luwero.^{23/} What is reported by officials of the District Administration and interested observers is that the majority of them are also recently established in the District. Scattered documentary evidence indicates that there may be about 50, involved in a diverse range of activities. With particular reference to the areas in which the study was carried out, only 4 NGOs' work was studied in-depth, with general remarks made about community groups in the areas. The NGOs are: VEDCO, UGANDA RED CROSS, WORLD VISION INTERNATIONAL and AMREF. The first two are indigenous while the last two are international. This distinction may be borne in mind as it has implications for the quality of performance, usually enhanced by the amount of resources of the respective organizations. These NGOs, though few in number, exhibit differences in styles of work, resources and activities.

147. Collectively, the following constitute major activities of the four NGOs: Awareness building/creation, improvement of agriculture and food security, schools, shelter, and health conditions, including water, nutrition and sanitation; provision of credit schemes; environmental protection with special emphasis on tree planting; and human rights.

148. Community-Based Group (CBG) activities are numerous. Self-help groups have always existed. Some have been purely of a social and cultural nature while others have ventured into development activities. Because of their diversity, it is difficult to make generalizations about them. They have varying life cycles. Those which have shown signs of sustainability over time are usually managed and funded. Among those with signs of success include "Agali Awasu", facilitated by the Roman Catholic Diocese at Kasaala; Genda Women Apiary Project, Butuntumula, with some assistance from AMREF; Butuntumula Women Dairy Cattle Project, facilitated by International Solidarity Foundation, Finland, through the NRM Secretariat and some community groups facilitated by VEDCO. Formation of community groups is encouraged by NGOs, the church, and politicians. There is a general belief that only through groups can one get reasonable assistance.

149. Surveying CBG activities in Luwero, one finds that most groups are involved in: (a) agriculture; (b) brick-making, especially by the youths; (c) baking, especially by the women; (d) handicrafts, including tailoring, especially by women; and (e) livestock - cattle, piggery, poultry, etc. This does not include the numerous CBGs involved in social/cultural activities. It is difficult to estimate their number. Their work needs a separate study to generate more useful information.

150. To determine the relevance of NGOs programs, the study sought to identify what the local people considered to be their most serious problems in the area. The results are shown in Table 2:

^{23/} The data and analysis on the Luwero community studies is based upon the SPPF study undertaken by Mr. J. B. Kwesiga, Consultant.

Table 2: Local Perceptions of the Most Serious Problems in the Area

Most serious Problems in the area	Frequency	Percentage
Poverty (inadequate income)	69	40.6
Water shortage	28	16.5
Bad roads	16	9.4
Food shortage	7	4.1
Inadequate health facilities	7	4.1
Disease	5	2.9
Vermin	5	2.9
Ignorance/little knowledge/illiteracy	27	15.9

151. As illustrated above, most respondents indicated that poverty was their greatest problem. However, looking at the activities of NGOs, one readily concludes that what they are trying to do addresses most of the problems identified by members of the community - except with respect to the "bad roads". Only VEDCO has done something about roads, when it facilitated the repair of a bridge that had broken down long ago. Of course providing programs relating to people's problems does not provide all the answers to performance. It is also important to know whether the people participated in the development of such programs, the nature of benefits, methods and techniques employed and other issues relating to sustainability, accountability and use of resources. Finally, one must examine whether such programs can be escalated and/or replicated to maximize benefits.

152. There is a close relationship between community participation and "ownership", in that beneficiaries are more likely to regard the project/program as their own if they are consulted and have a clear role to play in all the stages of the project. It should also support the effort by NGOs to provide relevant and sustainable programs as discussed above. In fact all NGOs in the area claim that what they are offering is largely based on community consultation and participation. Hence, respondents were asked whether they participated in the planning of any activity by NGOs. The responses were as follows:

Table 3: Regional Local Participation in the Planning of NGO Activities

Village	No. of Respondents	Yes %	No %	NGO
Ndeje/Kabuye	28	25.5(7)	64.3(18)	Red Cross
Genda	29	31.0(9)	72.3(21) }	AMREF
Kasaala	30	30.0(9)	66.7(20) }	Heifer
Makulubita	30	13.3(5)	86.7(26)	World Vision
Bbale/Kamuzigizi	27	51.9(14)	48.2(13) }	VEDCO
Namayumba	28	39.3(11)	60.8(17) }	

153. The figures on participation in implementation generally present a similar picture. But what can we learn from these figures? Firstly, they should be interpreted with care as some of the NGO projects are for members only. Secondly, it is interesting to note that the highest degree of participation is in the areas patronized by VEDCO. This may be explained by VEDCO's methods of work, i.e. prepared to spend considerable resources both in time and money on training and awareness creation.

154. The Luwero findings suggest that although NGO efforts are relevant, the impact of NGOs on poverty alleviation is limited and very uneven. The study itself was conducted in parishes selected because they exhibited a significant level of NGO activity, so poor results may have been registered in many other parts of the district. Luwero as a district has also been a favored target of NGO activity because of its experience in the civil war and its proximity to Kampala. Yet only 22% of respondents had actually participated in NGO activities, and more than half had not benefitted from them at all. Most of the activities were targeted at relatively small minorities - the subsidization of school fees for a few hundred children, roofing sheets for 35 houses, ten shallow wells dug, a few heifer cows distributed, perhaps fifty income generating groups supported, a credit scheme with a 70% default rate and so on. Amref had provided 11 schools with Sh 2.5 million worth of equipment and was training groups in income generating activities. The combined impact of all of these activities was significant, but did not substantially alleviate the service delivery crisis for the mass of the population.

155. In West Nile, the LWF presence in Moyo involved a large staff and a systematic program over many years in education, water, agriculture and community development. Here the impact was considerably greater, but again there were many areas of the district which these services did not reach, and many problems (roads, for example) which they were unable to deal with. The post-war relief programs of Oxfam, Acord and ICRC in the North and Northeast were targeted at whole populations. While most of the goods reached the actual beneficiaries, they were limited and short term, offering a few inputs (food, seeds, tools) which enabled production to get started but did nothing to alleviate the collapse of long term service delivery systems.

156. The presence of several NGOs in poor areas gives the impression that a great deal more is happening than is actually the case. Visiting missions are taken to see actual projects but do not visit the large areas off the main roads which are totally bereft of any form of input. A few oases of organized activity benefit limited minorities while most people have to survive on the basis of their own resources. Areas whose difficulties have got into the news - Luwero, Rakai, Kumi, for example - attract a number of agencies, while others whose poverty might be just as serious get no attention at all. Usually, once one or two significant NGOs move into a given area it is often assumed by donors that the needs are being catered to and they turn their attention elsewhere even though a very wide range of problems are not being addressed.

157. This is not to deny the value of the work which the NGOs actually do, or to suggest that it should be reduced. It is partially a reflection of the desperate shortage of resources, both domestic and external, which still dominates even a relatively favored African country like Uganda, and partially of the nature of the NGO system itself. NGOs do not, and should not be expected to offer universalized social services. They have limited managerial capacity and specialized skills and interests. They judge their own performance in relation to their success in providing particular services to particular people in their areas. They attempt to

avoid duplicating the activities of other NGOs, but do not have the resources or see the need to collaborate with them in planning an overall service provision strategy for a district or nation. Thus if they are to become the basis for a systematic poverty alleviation program in Uganda, far more resources will have to be channelled through them and or directly to beneficiaries themselves, and their work would have to be integrated into more effective local coordinating mechanisms than exist at present - an issue discussed later in the report.

158. The findings of this study also suggests that the potential role of NGOs needs to be brought into perspective and related more systematically to that of the state. Historically, radical political movements have insisted that welfare services should be provided by the state as a right out of taxation, rather than as a privilege out of voluntary donations. This is the secure way to guarantee general access, and to raise the resources necessary to provide the level of services required. This is not possible at the moment in Uganda, given the budget constraint, but it should not be lost sight of as a long term objective. Thus, as has already been argued, one significant contribution which NGOs can make to long-term and generalized poverty alleviation is to contribute directly to the strengthening of the administrative and political capacity of the local state. The current evaluation of the Action Aid PAPSCA project in Kamuli which provides small grants to local groups and is working closely with the RC system, strengthening it in the process, could throw interesting light on this issue.

159. It is impossible to make blanket claims with regard to NGO performance. The real issues relate to the way judgements should be informed to ensure that government and donors support the NGOs and CBGs. This has four aspects:

160. First, government and donors must ensure that those who make these choices for them can themselves be trusted and also have detailed knowledge on the reputations of the individuals and groups involved. Relying on external consultants or unsupervised local staff can easily allow unreliable agencies to establish themselves and continue to operate. This is relatively easy with respect to the large international and indigenous NGOs, but is much more problematic with respect to new entrants and community groups. This problem is especially acute with respect to the performance of the proposed National Community Action Trust which could be exploited by unscrupulous agencies unless it is made to account effectively to a reliable authority.

161. Secondly, where donors are funding agencies with goals - to dig wells, fund health committees, provide relief, collaborate with local governments in providing infrastructure - it is quite feasible, with technical assistance from local university researchers, e.g. MISR, or consulting groups when required, to set out measurable performance objectives in advance, gather reliable baseline data against which to measure output, and monitor and evaluate performance after the event. This is already standard practice in most of the established organizations. LWF, for example, sets clear targets in its proposed Karamoja Rural Development Program for agriculture, water, community and rural technology development, while its annual report provides a frank and often quantified account of the successes and failures in the project to date. ^{24/}

162. Thirdly, where significant sums of money are involved, some level of independent external evaluation is required to ensure that performance has measured up to expenditure once all the unanticipated difficulties which invariably arise in insecure environments have been taken into account. While project staff need to be involved in this process the ultimate authority must rest with the external observer since the results are otherwise likely to be

excessively influenced by the interests of the agency itself. Neither individuals nor agencies can reasonably be expected to evaluate their own performance with an adequate level of detachment and realism.

163. Fourthly, identifying and enhancing existing community structures to ensure popular participation and accountability to beneficiaries, rather than creating new institutions without local ownership, should always be the preferred modality of work.

164. Thus, while the existence of externalities does create conditions which makes it difficult for accurate measurements to be made where generalized skills and attitudinal change are being conveyed, this does not preclude the use of rigorous measures in the very many situations where something concrete is being produced. Here there is every reason for the government, donor and NGO itself, to establish an appropriate framework for monitoring and evaluation, though it should always attempt to ensure that these requirements do not absorb a significant proportion of the budget, thus transferring resources from beneficiaries to the NGO and consultants. One possibility is that the costs of monitoring and evaluation should be measured in relation to the cost of project failure, rather than the total project cost.

B. The Nexus of Participation, Poverty and Equity

165. Participatory development is intended to benefit the poor by involving them in planning and by ensuring that projects suit local needs and are not dominated by local elites. However the social and political realities which exist in isolated communities can mean that the poorest of the poor do not benefit from these strategies which could, in effect, prove counter-productive, thus producing a relatively inequitable developmental strategy.

166. Eliciting popular participation requires special skills and absorbs large amounts of time, especially for people who have to walk to a meeting which may be several miles away. Bringing thirty people together for a three hour meeting could therefore cost a full month's considerable labor time. In Uganda men are relatively unencumbered with domestic duties, while women work 12-14 hours per day. Thus only men and relatively privileged women have the time to take part in these activities from which the ill-educated and over-worked are automatically excluded. Further, social and political power in villages is not distributed widely, but concentrated in the hands of elites who manipulate it through patron-client networks. They can dominate the village committees set up to manage projects which then tend to reflect their needs rather than those of the marginalized underclass which has no voice at all.

167. The Luwero study confirmed that it was the better educated members of the community who involved themselves in the NGO initiated development committees, and some of them then used their positions to benefit directly from economic opportunities presented by the programs, for example in the procurement of local materials.

168. The study further suggests that the population did not value the attempts at community mobilization so highly, since they did not see them leading to concrete results. Indeed the field work suggested that the lead NGOs tended to greatly undervalue the amount of time which people would have to give up to take part in these participatory exercises, and were thus constantly disappointed by the amount of support which they could obtain from locally elected committees.

Box 5. When Trickle Down Meets Conscientization

Much of the poverty in remote African villages stems from the weakness of the economic intermediaries which should link the farmer to markets and provide employment for those who do not have sufficient land. Strengthening these intermediaries using the most cost effective organizational method is therefore likely to do most to improve general economic welfare. This could well mean providing resources directly to rich individuals to increase the welfare of the poor. For example, providing the richest man in a village with a loan to buy a pick-up truck which he then uses to transport goods and people to the market, might well do more to alleviate poverty than hundreds of thousands of dollars invested in the activities of an NGO committed to "conscientization" and group formation. On the other hand, such an approach, while lifting some out of poverty, can create greater inequities.

169. While many NGOs support individual entrepreneurs through income generating projects, others have preferred to support collective activities, i.e., groups rather than individuals, again justifying this through their commitment to poverty alleviation and participatory methods. Yet there is little evidence that large numbers of self-sustaining groups are emerging out of this approach.

170. The current emphasis on "empowerment", while welcome in the most part, also has its limitations. Unless done sensitively, taking into account those with the least voice, e.g., illiterates and landless, the empowerment process can also intensify inequalities between the organized and articulate and the marginalized and inarticulate. For example, NGOs support schools (from which the poorest are excluded) and income generating projects which depend on access to land and skills. Hence their activities tend to favor the rich and middle peasant less than the very poor, and this, in turn, is likely to intensify inequalities rather than reduce them.

Box 6. The Btwaa: Limits to Empowerment

In Uganda Oxfam spent some time investigating the problems of the Btwaa - perhaps the poorest and most marginalized minority in the whole country. They discovered that they were unable to assist this group - who have no organizational skills, no assets, no status in the host community - through their traditional group approach. Providing them with effective "top down" services to improve education and health, and generating a rapid increase in the demand for their labor through a successful small-scale agricultural and business strategy would be a more effective way of assisting them than expecting them to initiate their own development strategy.

C. The Road Toward Sustainability

171. Long term viability is clearly a key issue for those concerned with poverty programs, and here many concerns have been expressed about the role of NGOs. External agencies funded by donors on a short term basis who set up expensive and non-replicable programs threaten local communities with the loss of everything when they leave. They must therefore either accept a long-term commitment to the area, or develop programs which can be handed over to local counterparts and funded from internal sources. Given that the international NGOs are often global organizations who can manage large-scale and heavily-funded programs, the possibility that they will set up non-sustainable structures is always a serious danger, and is now giving the Ugandan government serious cause for concern. What can be done to alleviate these fears?

172. In the first place, it is necessary to introduce a note of realism into the argument by recognizing that sustainability, defined as the capacity of a local community to maintain a program without external assistance, is almost certainly an unattainable goal in the short run in contemporary Uganda. At the national level there is no prospect of economic recovery unless current levels of donor assistance are continued. The whole recovery program is predicated on the assumption that a long term build-up of capital and skills will be required before internally generated resources and foreign investment can significantly replace donor funding. Since national policy depends on the assumption that concessional transfers will continue into the foreseeable future, it seems to be inappropriate to assume that all NGOs programs should tailor their activities to levels which could be immediately sustained without significant amounts of external support.

173. What is at issue is the long-term stability of the current NGO system and the funding base on which it draws. While donor dependent agencies appear on the surface to be less secure than those based on commercial or political principles this is not necessarily true. The established international NGOs have strong donor networks and growing access to official funds; the stronger local NGOs have already demonstrated their capacity for survival and, if the experience of countries like Bangladesh are anything to go by, there is no reason why they should not continue to expand and even be transformed in the process, possibly becoming a for-profit enterprise with a non-profit wing; or a fully private sector concern.

174. It is also important to ensure that NGOs do not provide services beyond the cost-effective level. In one local heifer project, each animal was visited by a Veterinary Officer daily for the first month and weekly thereafter. This does not make economic sense since the costs were not recovered and many other households received no services at all.

175. At the same time, however, these arguments should not blind us to the need to develop cost effective programs which do make maximum use of local resources in terms of labor, skills and funding. Thus sustainability in the long term does not depend on whether the community really values the service, but on whether effective institutional mechanisms are set up to ensure that the service is provided by motivated and trained staff and funded by a secure source of income. This may mean a changing role for NGOs from that of direct implementors to that of **capacity builders of local CBGs** who, by virtue of their coming from the beneficiary population, hold the greatest promise for sustainable poverty alleviation efforts. Mission hospitals and health centers have survived in Uganda for decades, funded through fees and local and foreign donations, and staffed by underpaid professionals who nevertheless provide adequate services through a high degree of altruism. If NGOs wish to ensure that water pumps continue to be maintained they need to create user organizations which impose realistic charges to pay for spare parts and mechanics. Where volunteers build school or health centers they, too, must make adequate provision for long term recurrent costs. This means using appropriate organizational forms in terms of the managerial skills, the cost structure and the incentives involved. This might mean setting up facilities which could be eventually be taken over by local councils, by user committees, or even by private entrepreneurs.

176. The role of appropriate institutions in development is of critical importance, and of the need for an open ended and flexible relationship between the various institutional options which already exist in poor rural communities. These relationships, and what is appropriate in each sector and district will vary, depending on technical requirements and existing levels of development. The most deprived and marginalized areas and groups will be much less capable of participatory responses and will need much more directed external help than already well endowed communities and groups. Complex technical services like hospitals will have to be managed by professionals and provided with expensive external inputs. Simple

village services like paths and springs can be improved through collective organization based on improved levels of community awareness. Most of the leading NGOs already recognize the problems which have emerged as they attempt to develop long-term developmental strategies. What is now required is a much broader and constructive review of the lessons of this experience in order to improve the productivity of their efforts in the future.

Chapter Six. Accountability, Monitoring and Control

A. Accountability To Whom?

177. While democratic governments are accountable to voters, and official donors to taxpayers and parliaments, the accountability of NGOs is often less clear. To some extent they are accountable to their funders, in particular where these are official bodies. For example USAID requires NGOs which it supports to conduct base-line and ex-post surveys to assess project impact, and subjects the organization to thorough auditing. To some extent they are answerable to their Boards of Directors or Trustees (perhaps in the industrialized country of their parent). Often they perceive themselves as being first and foremost accountable to the people they seek to serve - the poor. If they are of the community, as in the case of CBGs, then internal accountability to their peers is a given.

178. A large national NGO which is completely dependent on funds from official donors, and which does not benefit from voluntary labor cannot easily claim to be either non-governmental, nor value-driven. If it does not make itself accountable to the people in the communities where it works, from where does its legitimacy derive? If the NGO targets its support geographically, as opposed to particular population groups throughout the country, the Resistance Council (RC) structure (particularly the RC1 at village level, and the District Development Committee for planning at district level) is probably the useful test of legitimacy, though easily susceptible to political hijacking (the Church of Uganda and the Catholic Church are the only other institutions which have blanket coverage throughout the country, but these by definition are sectarian). However some NGOs to view RCs as an impediment which they would prefer to keep clear of while others are seeking to involve RCs 1, 2 and 3 in their planning.^{25/} Meetings are slow and cumbersome, and a good deal of awareness building amongst the communities is necessary before villages can start making informed choices about development options. Such inputs can however be rewarding. For example, World Vision finds that their most successful ventures are programs agreed at RC3 (District) level which comprise projects executed at RC1 (village) level, with village control of the funds and choice of contractors.

179. Government officials may lament the lack of accountability of the NGOs, and complain that they do not tell them what they are doing, but NGOs who take the trouble to send their reports to government officials complain of the lack of response. It might be preferable for Government to ask the major official donors to share with them their evaluations of the major NGO projects, since these are likely to be more objective and considerably more empirical than the NGOs' own reports.

180. Discussions of accountability often emphasize financial accountability designed to guard against fraudulent or inefficient use of funds for achieving the declared objectives. Arguably more important is accountability for the choice of those objectives and the consequences of them. In particular few NGOs appear to analyze the equity implications of their programs. They may select poor areas in which to work, but make little effort to target more precisely within those communities. Some argue that this would be unnecessary, that support to more progressive members would "trickle down" to benefit the community as a whole, including the poorest. However, others argue that such an approach to development leads to a new emergence of class structures or rural differentiation in Uganda. Farmers who receive NGO support may quickly emerge as employers of agricultural labor. While

^{25/} See Green Cover Sector Report - Uganda District Management Study AF2IN, 1992, for an elaboration on the RC system and local actors.

increasing employment is desirable it is quite likely that the better off farmers derive considerably more benefit from the NGO than the poorer ones, since rates of return on innovative investment in small farms can be very high, while wages for landless laborers are low. Hence inequity may be deepened, which is likely to be the opposite of what the NGO reports to its funding source.

181. A common problem occurs when communities are mobilized to join together in a joint venture. The poorer members may agree to supply their labor, while the better off offer land under their control for the community purpose. Once the land is cleared and perhaps planted an argument develops and the donor of the land claims back his (much improved) property.

182. NGOs should also be accountable for the voluntary contributions of time and labor by the communities. Many NGOs expect the "beneficiaries" to take part in frequent meetings and to contribute unskilled labor (perhaps at seasonally difficult times of year). Communities may be pulled in different directions by different NGOs and appear ungracious when they fail to complete agreed tasks on schedule. Though voluntary endeavor for common good, or for mutual support, or to help weaker members of the community is a traditional practice in Uganda (Acholi/Lango villages elect several "Rwot Kweris" to act as foremen for such work), it carries a heavy opportunity cost of which NGOs should be aware. Such communal work practices almost certainly have a strong economic justification, for example risk-sharing or economies of scale, otherwise they would be very difficult to sustain. Often there does not seem to be the same rationale for the group-decision making and voluntary labor activities that are pushed strongly by NGOs advocating "participatory development" and so it is not surprising that participation in these activities can be very weak on occasions.

183. Furthermore, NGOs should be accountable for ensuring that their efforts to help one group of people through subsidies of various kinds does not lead to another group of similarly vulnerable people becoming disadvantaged. For example support to village groups to start milling operations or marketing cooperatives may threaten small entrepreneurs whose livelihoods depend on similar ventures. Support to established informal sector traders may be at the expense of even poorer people who try to sell their wares on street corners elsewhere.

184. There are significant differences in the principles which apply with respect to different kinds of agency. In small self-contained groups, e.g., CBGs, accountability is direct and internal. A family, group or club set their own goals, provide their own resources and have "only themselves to blame" if results are poor. In cooperatives or income generating projects output is sold on the market and inefficient or corrupt agencies will be eliminated by competition if they do not receive subsidies. But when NGOs enter into contractual agreements with government or donors they obtain resources from the government, donors and sometimes also beneficiaries, and provide free or subsidized services in exchange. This then involves them in explicit or implicit exchanges which presuppose contracts that require their output be measured and equated with what they have received. This chapter will first consider the implications of this requirement, then look at those which arise with respect to market oriented agencies.

B. NGOs and the Diversity of Stakeholders

185. What is the relationship between these NGOs and their stakeholders? Who are they, how do they relate to the NGO, and how much information can they obtain as to its activities? Each NGO will stand in a different relationship to different stakeholders, while principals will have differing access to information about what the NGO is doing and differing capacity to enforce changes on it should it fail to live up to its obligations. The principal should refuse to

take NGO claims at face value and should demand effective mechanisms for monitoring and enforcement to guarantee performance. The prevalence of altruism and participation in the sector may reduce the level of surveillance required, but principals must have enough information to be able to judge whether a genuinely cost effective service is being provided, and should have the sanctions and incentives needed to ensure compliance in the long run. Here each principal will wish to ensure effective performance, while the NGO as agent will wish to maximize its autonomy and resources, so it is necessary also to consider how they sustain their independence in the face of these pressures.

186. The agency relationships involved are extensive and complex, and include those between NGOs and donors, consumers and government, and between managers and workers. They can also include those between foreign and local NGOs where the former sub-contract tasks to the latter. Since each of these parties has differing and sometimes conflicting interests and leverage, complex problems of monitoring and enforcement arise.

187. While many large NGOs began as agencies funded by individuals, their critical role in donor-funded service provision to the poor has enhanced their significance and intensified problems of evaluation and accountability, not least because of the complexity of the success indicators and principal-agent relationships involved. Charitable NGOs are expected to operate redistributively by providing services to those who cannot pay, so payments from consumers disappear and with them the direct link between performance and reward which enables consumers to exert a direct influence on what producers do. The NGO acts as an intermediary between the donor and the beneficiary and market competition is excluded. Individuals are willing to contribute to NGOs on the basis of shared values and so accountability in effect occurs *ex ante*. However, when receiving funds from bilateral donors or government the relationship changes for NGOs and service delivery is the motivation for funding rather than shared value systems. This different kind of relationship requires *ex post* evaluation and that NGOs be accountable for delivering certain outputs. Accountability problems can best be considered by looking at the nature of the relationship between agencies and each category of stakeholder in turn.

C. The Community Beneficiary Vantage Point

188. Beneficiaries are often poor and illiterate, with limited access to information. They are therefore disadvantaged in exchanges with NGOs because they often come as supplicants rather than equals and have little information about the donor's and NGO's resources or actions. In short, they frequently do not even know what they don't know. They are aware of the services that they receive in their immediate areas, but not of the costs involved, the way their decisions were arrived at or what is happening elsewhere. In deprived environments they can neither find another supplier nor exert any democratic control over the NGO. Some NGOs try to "empower" beneficiaries through participatory structures which encourage local communities to identify priorities, develop programs, register complaints, and provide information about what is being done. These are commendable, but they are time-consuming and depend on the goodwill of the NGO, seldom giving beneficiaries independent authority over it. Only donors enforcing a budget constraint can exercise such authority. So they conduct evaluations, though this raises other problems considered below.

189. The most vulnerable are those without land, those who have insecure tenure, widows, pastoralists, the disabled, the sick (e.g. AIDS) and the indigenous people in the far South West and North East. However the greatest density of NGO activity is in Kampala and neighboring districts. Conversely, very few NGOs work in the extreme South West and North East where there is the most poverty. The claim of NGOs to help poor people

BOX 7. The Benefits and Costs of Participation

Participation is now seen as the key to successful projects, because the 'top-down' approach can fail to recognize the needs and skills of local people. It has many advantages.

Sustainability is most likely where communities choose and take part in managing their own projects. The voluntary approach can mobilize local resources of labor and materials and reduce demands on the state. It should develop the community's capacity for cooperation which could be even more important than the production of an immediate service on a 'top-down' basis. Cooperative groups involved in credit, social insurance, and income-generating activities should be in a better position to guarantee loans and develop trust than state banks or big outside companies.

Many donors in Uganda support these views, as do many members of the community. Large numbers of people take part in the democratic local government system and other voluntary group activities - women's groups, Parent Teachers Associations, social/political associations, cooperative savings and welfare societies.

Strengthening participatory structures is thus important for long term social development, but this will only succeed if policy-makers recognize that the approach also involves heavy costs and may be less suitable for some purposes than others. For example:-

- Participatory decision-making makes heavy demands on people's time which is especially problematic for women with their domestic obligations. This can reduce the efficiency of commercial operations which compete with private companies run on 'one-person-management' principles.
- Cooperative groups can be captured by members of the elite and used to divert donor resources for private profit.
- The capacity to cooperate is strongly correlated with education, so participatory approaches can exclude and marginalize the 'poorest of the poor.'
- Unless effective representative and incentive structures are created voluntary organization, can impose unsustainable burdens on community leaders, thus leading to dissolution when they give up.

Thus participation can also lead to failure unless it is adequately resourced and associated with effective management structures and appropriate skills.

specifically (as opposed to help communities in which poor people live) has not been fully demonstrated outside of relief and welfare activities.

190. These problems should be less severe where services are provided by local community groups. In some cases these involve consumers directly, in others they are based on close social and personal ties. Here problems of dependence, information gaps and discrepancies between the goals of the group and those of the consumers are likely to be minimized, which is why external NGOs often prefer to operate through such agencies than to implement programs themselves.

191. Yet difficulties arise here too when we recognize the problems associated with decision-making costs and "free riding"^{26/}. Locally funded groups without external support have limited organizational capacity and resources and many fail as soon as the commitment of their leading activists is exhausted. They may not provide the services needed most by the poorest people, and they cannot provide them universally as would be the case with public provision. Once they obtain access to external resources, the direct link with the community is attenuated. Activists acquire a privileged position in the local community while potential beneficiaries may not know what their entitlements should be. It is costly for donors to get reliable information about the groups, so incompetence or malfeasance is not uncommon. Democratic mechanisms in the community can reduce these dangers but they may function very imperfectly in poor communities which are often dominated by powerful patron-client networks.

192. Thus considerable thought needs to be given to the creation of better mechanisms to ensure the effective representation of beneficiary interests. One possibility is the introduction of a surrogate market system by subsidizing the beneficiaries rather than the suppliers of services through a voucher system. Vouchers would allow beneficiaries to choose what services they would like to have and who would provide them. A voucher system can work when there is sufficient competition among NGOs, CBGs, and government agencies. The voucher system also presumes that people have adequate education and access to information to make these choices and are not co-opted by local elites or kinship relations. Where there are externalities or merit goods, a voucher system would not necessarily lead to socially desirable results.

D. Donors and NGOs: a Problem of Monitoring

193. While some NGOs obtain resources locally, most funding has been external. The organization of international NGOs involves a relationship between donors and head offices in developed countries and field staff in host countries often deployed in remote and inaccessible places. These NGOs were originally funded by individual donations, in some cases mediated through churches; recently many have received so much support from governments that they are becoming little more than public service contractors. This creates difficult problems of monitoring and enforcement.

194. Monitoring is especially costly where donors are funding services in remote foreign areas about which they can get virtually no independent information - what they do learn is usually provided by the NGOs themselves. Thus individuals who make donations can only base their judgements on information about the general reputation of the agencies which they obtain from coverage in the media. NGOs need to be very sensitive to media perceptions and criticisms as this can quickly undermine the reputations which they depend on for continued support from donors. Donors have a readily available exit option, since many NGOs are competing for their contributions.

^{26/} On these problems in Uganda see Brett, *Providing for the Rural Poor: Institutional Decay and Transformation in Uganda*, Institute of Development Studies, September 1992, for a general analysis of the relationship between voluntary organization and "free riding" see in particular Ostrum, E., *Governing the Commons*, Cambridge, Cambridge University Press, 1990.

BOX 8. Monitoring, Effectiveness, and Accountability

Much of the support for NGOs stems from the belief that their staffs are motivated by altruism rather than self-interest. Yet experience suggests that all agencies which use public resources should be accountable to their stakeholders. Private firms are controlled by consumers through the market governments by citizens through elections. Do equivalent controls exist for NGOs?

NGOs must relate to a variety of different stakeholders. Their primary obligation is to their beneficiaries, but they are also beholden to their donors, and their role in service delivery is critical to host governments. For effective performance these relationships must operate on a secure and equitable basis. NGOs require managerial freedom and sufficient resources to support a competent and motivated staff. Beneficiaries, governments and donors must be able to ensure that the NGOs meet their obligations and provide cost effective services.

It is not clear that these relationships always operate as effectively as they should.

- Beneficiaries are usually aid dependent and have such limited access to information that they find it difficult to challenge the decisions and performance of external agencies.
- Host governments are also dependent on aid and find it difficult to monitor and coordinate the countless NGO projects across the country.
- The international NGOs depend upon large numbers of small and a few big donors. The former contribute because they believe in the social objectives of the agency, but must take their performance on trust because they cannot get accurate information about their work in the field. Large donors can negotiate specific contracts with NGOs and (at considerable cost) use evaluation missions to monitor what they do.
- Large NGOs also evaluate their own projects because they operate in remote areas where the performance and priorities of local managers may differ from or be less adequate than senior management expect. Where international NGOs fund local NGOs - as is often the case - they may monitor progress, but this is a costly process given the complexity of the activities involved.

Research suggests that the performance of NGO projects is better than that of government in poor countries with weak states. Donor support for established NGOs is based on reputations maintained through regular monitoring and evaluation. Such NGOs can then defend their autonomy from unreasonable demands from particular donors because their services are in demand and they may also enjoy support from small donors.

"New entrants" raise more difficult problems, however, especially with local NGOs as they have no track record and so must be treated with skepticism until they have demonstrated their competence and integrity. This makes it difficult for them to establish themselves, and creates suspicions that official donors discriminate against local NGOs.

195. Large donors are better able to supervise NGOs than individuals since they can fund evaluation exercises. Churches which support local groups have full time structures in developing countries, local information networks, and members who expect high standards of integrity. Official aid agencies subjected to public scrutiny and accountability in their own countries need to ensure that services are properly performed. But the organizational chain between taxpayers, government, NGOs and their projects is long enough to dilute the impact of scrutiny. Even so, formal evaluations are carried out by large donors but on a somewhat random basis. In Uganda recently an evaluation of this kind carried out on a CARE project in Arua exposed great inefficiency and led to a complete overhaul of the project. Yet these exercises are also limited since missions are costly, evaluators have little time, the local situations are highly complex, and field workers and beneficiaries will have a vested interest

in ensuring that the service continues. Success indicators are problematic, and workers and beneficiaries may collude to conceal failures from investigators. These problems are most severe when international transactions are involved but also exist where local donors are involved.

196. Donor control over NGOs depends upon the efficacy of their evaluation procedures and the ability to withdraw funding. This gives them a strong exit option, though its efficacy depends upon how much they need to provide the service and whether there are other NGOs available to do so. The supply of reliable NGOs with spare managerial capacity is in fact rather small, so a market for NGO services exists which does not put all the power into the hands of the donors. Relations between donors and agencies are usually based on an operational culture which insists that the latter should have autonomy, especially given their public service ethic. This could also inhibit close supervision of projects. The management of these relationships has usually been cordial in Uganda, but tensions are often not far below the surface. The negotiations between Action Aid and the World Bank, for example, stalled for many months as a result of differing interpretations of what the project should involve and how it should be funded; those between SCF and the British government over a health project in Kumi district have also been bogged down for many months over disputes about project content and operational autonomy.

197. This being the case donors need to help NGOs and CBGs develop and integrate monitoring and evaluation into the project in advance, focusing on the clear specification of objectives, the collection of appropriate levels of baseline data, the establishment of formal reporting requirements, and the provision of a regular process of independent and external monitoring and evaluation. Such evaluations should attempt to make use of "participatory research" methods based on community involvement in carrying out their assessments.^{27/}

E. The Politics of Regulation, Control and Autonomy

198. The resources now controlled by NGOs give them significant political influence in most developing countries, so their activities cannot be ignored by the government. The government determines the legal framework under which they operate, and can also subject them to direct official supervision. Donor governments support NGOs in response to donor development priorities, and an assessment of their technical competence and cost relative to that of public and private agencies. They may approve of the general ethos of the sector, the pluralism which they create in public life, or see them as a means of bypassing oppressive, corrupt or ineffective public sector infrastructure. This can then create potential tensions between themselves, the government and the NGOs.

199. The government depends on donor finance and may resent decisions which could be seen as diverting funds from its own agencies to NGOs, especially where groups are funded whose activities challenge their own ideological or power position. Thus relationships between the government and NGOs raises complex issues. Where NGOs are favored by donors over the government's institutions NGOs may come to be identified with foreign rather than domestic interests and their freedom of action is likely to be curtailed. These powers are offset by the fact that the government needs the services that NGOs provide, and, in the last analysis, can only challenge the right of donors to fund them through the voluntary sector by denying access and losing the assistance. The government also find it difficult to get reliable

^{27/} See special issue of *Convergence: The Journal of International Adult Education*, Vol. 10, para. 4, 1976, for an early account of the participatory research movement.

information about what NGOs are doing. NGOs therefore operate in a complex political field. The difficulties between government and the World Food Program (WFP) over control and distribution of food aid, and the problems with human rights bodies in areas of continued insecurity are but two examples.

200. NGOs will attempt to manage their dealings with donors and governments so as to maximize their autonomy and their resource base relative to their objectives, since they believe that their own priorities and approaches are best. This should depend upon their capacity to provide adequate services to their consumers, though, whether it actually does so depends on a wide range of contingent factors. We can thus end this section by considering the agency relationships discussed so far from the NGO point of view.

201. Autonomy vis a vis donors is protected by the public's belief in their public service ethic, by the high cost of monitoring and evaluation and by access to alternative donors. The interaction between donors and NGOs is, in fact, mediated by the market for funds in which donors must look for NGOs which can provide what they want, and NGOs seek out donors whose expectations most closely match their own orientations. At the upper end, where the large NGOs operate, small numbers are involved on both sides, thus allowing each to acquire a good general knowledge of the capabilities of the other based on "concrete personal relations" and thus the ability to transact mainly with "individuals of known reputation" and so reduce risks.^{28/}

202. Thus, while information about specific projects may be scarce, a level of generalized accountability exists which, associated with the real effects of the public service ethic, usually appears to produce positive results. Research in Uganda suggests that NGO performance is usually, though not always, excellent with staff often being willing to work exceptional hours in environments involving high degrees of discomfort and risk. The expatriate personnel in these cases were highly qualified people who would have had no difficulty in obtaining well paid and less disruptive work in the West. Their decision to forgo such rewards would have had little meaning had they come out to Africa to maximize their personal gains on an "opportunistic" basis. Some, for example AVSI, a Catholic agency, were motivated by religion, others, such as URDT, by an ideological commitment to collective and non-exploitative modes of organization. Local staff were in fact paid better than they would have been in most other jobs, but there was so much competition for NGO posts that they were for the most part highly qualified and motivated. It is difficult to imagine that an equivalent service could have been provided by either public or private agencies. For example, it probably costs twice as much to maintain expatriate international agency staff, as opposed to NGO personnel in Uganda.

203. Although Uganda provides NGOs with a very benign environment, links with the government have sometimes been difficult. NGO autonomy, though, is protected by weak official monitoring and the fact that their services are often thought to be indispensable, more so by beneficiaries than by local officials resentful of their access to funds. Where democratic processes exist they should also be able to rely on political support from beneficiaries. However, if they are to be drawn into the national planning process, they will inevitably be associated with the current government. How to keep an "arms length" relationship with

^{28/} Granovetter, M., "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology*, 91(3), 1985, p. 490.

government while becoming an integral part of a system of universal social provision raises many sensitive problems.

204. Responsible NGOs wish to maximize their own reputations and thus to establish effective management structures and labor processes. Internally the bureaucratization and internationalization of large NGOs may create serious problems of communication, decision making and control. Responsible head offices, often at the behest of management committees representing donors, have to be able to assure themselves that their own field staffs are indeed providing adequate services, leading to significant monitoring and evaluation problems too. The larger NGOs do their own evaluations, but while they may be candid about the results of a project, the sensitivity of donor response to any criticism of NGOs makes them reluctant to make reports available to the general public.

205. In sum, from the above analysis one can readily see that accountability mechanisms, e.g. participatory structures, self and external evaluations, do exist in this sector, some borrowed from the public and private sectors, some emerging in response to specific kinds of relationships which are developing in what is a rapidly expanding and diversifying field. While many of these processes are internal and self-enforcing, many others involve the need for systematic regulation by stakeholders who cannot automatically expect those they support to provide cost effective services simply because they are operating on the basis of reciprocity or good will, rather than financial or political self-interest. This conclusion is, of course, of special interest to the donor community, given the extent of the resources which are involved and the possibility that their capacity to offer agencies soft money in a context where inability to obtain information and to enforce compliance may lead to malfeasance and waste. While considerable progress is being made to develop better mechanisms for managing the delicate balance of autonomy and control in these relationships a great deal more needs to be done to improve, not only the levels of accountability, but also the measurement of success or failure.

Chapter Seven. Positioning NGOs for Sustainable Poverty Alleviation

A. Institutional Relationships

206. There is a growing consensus that different organizations and institutions have different benefits to offer. Relationships are not a matter of mutually exclusivity, but of comparative advantage. A variety of organizational forms exist on which we can draw - public, private, collective, and voluntary. In considering the role of NGOs it is necessary to ask what sorts of things are NGOs likely to do best in the conditions which prevail in Uganda. The rest of this chapter presents some tentative conclusions about the implications of the choices which have been made between different kinds of implementing institutions.

NGOs and the Public Sector

207. Markets work best for the production and distribution of scarce resources which are exchanged between individuals and a large number of competing producers on the basis of price and under conditions of perfect information. However the government has a role to play in the provision of social mechanisms to deal with problems which arise out of "market failure" - the regulation of potentially conflictual relationships between individuals in the market (managing contracts, enforcing property rights), the control of externalities (pollution, environmental degradation), the maintenance of non-excludable resources (roads, common land), the control of natural monopolies (communications, many utilities), the provision of social and welfare services for which access must be free or subsidized, and possibly most important to the promotion of a civil society ensuring the voice of the people. Successful management thus depends on the establishment of an appropriate balance between the private and the social principle in the organization of social and economic life.

208. Past failure of economic policy in Uganda can be attributed to an over-extension of the role of the public sector which has since produced a corresponding demand for privatization by donors. However, the damage imposed on the civil service during the crisis years has led observers to go much further in their search for non-governmental solutions to problems. Despite some improvements - notably in the maintenance of law and order and the management of donor supported projects - administrative capacity at national and local levels is still severely constrained. The fiscal shortfall and its resulting impact on government salaries and resources is such that incentives and effective supervision have been badly undermined, while corruption is endemic. These problems are being addressed through civil service and constitutional reform and improved revenue collection, but the impact is likely to be marginal in the medium term at least.

209. Under these conditions there are very real disadvantages in using the state for the provision of services. Donors have not only called for privatization of most parastatals, but in response to the public sector's limited ability to absorb assistance, they have also turned to the major international NGOs rather than depend solely on the state for the provision of relief, rehabilitation and welfare services. This has highlighted the weakness of the existing state, turning it into the poor relation of the NGOs in many rural areas. The Luwero study, for example, discovered that many local officials were only able to perform any of their functions when paid to do so by the NGOs in the district. This is also confirmed in other parts of the country, for example, LWF employs agricultural workers in Moyo and Care employees health workers in Arua.

210. This donor response is understandable, given the weakness of the state and their desire to ensure that aid is effectively used. These NGOs offer a clear advantage over the weakened local public infrastructure. They have comparatively strong organizational capacity as well as established reputations built upon continuous interaction with donors and the public in their home countries. They operate in a competitive environment in which donors can withdraw their support from particular agencies if they are dissatisfied for any reason, while the NGOs can also safeguard their own autonomy by bidding for funds from a wide range of donors. On the other hand, although donors are also attempting to strengthen public agencies, these agencies have monopoly powers and are controlled by parties with powerful interests in defending the status quo. However before endorsing this strategy, it is necessary to consider its longer term implications with some care.

211. NGOs, like for-profit firms, operate in the private sector and depend for their survival on public institutions which maintain social cohesion and enforce the law. Where these break down even the most powerful NGOs cannot survive, as recent events in Somalia and the Sudan amply demonstrate. They do not have the power to tax, but depend on donations which can easily be withdrawn; international NGOs depend on the beneficence of foreign donors which can easily be withdrawn for ideological or economic reasons. They are not elected or funded by their consumers and are therefore not directly beholden to them. Thus they cannot be obliged to provide services on the basis of principles agreed through the democratic procedures which have emerged to guarantee participation and equity in the allocation of public resources. As private agencies they need not adopt principles of universal access to the services they provide, but can choose to provide them to selected minorities. As a result they cannot be relied on to provide their services on a basis which will be secure, equitable and universal enough to meet the conditions imposed upon the modern state.

212. Though the state may be perceived as having a responsibility to provide social service coverage to all its people, a strong case can be made (if need be) for not allowing the state to exclude the role of NGOs. A flexible and open-ended system of voluntary agencies can provide a varied, innovative and value-driven array of activities which can often be seen in contexts where they are allowed to operate freely.

213. However there is also a corresponding need to build state capacity in order ultimately to arrive at a more balanced and equitable relationship than prevails at present. Here a further point arises - NGO and state activities are by no means substitutable alternatives, but more often reinforce and complement one another. In some cases - for example in Save the Children Fund's relationship with the Ministry of Health, or in Action Aid's relationship with the District Administration in Kamuli - the NGO's role includes an obligation to operate with and strengthen the capacity of the public institutions within its field. While this need not always be so, a strong case can be made for incorporating such objectives into most projects in situations where building public institutional capacity is a crucial element in the recovery from political and economic collapse. This, then, takes us beyond the area of comparative advantage into that of inter-institutional coordination which will be dealt with in a later section.

NGOs and the Private Sector

214. Although much of the criticism associated with the structural adjustment debate has related to the supposed preference of donors for the private sector, in fact most donor support in Uganda has gone to the state and voluntary sectors. Thus USAID and SIDA have provided most of their support to the rural marketing system cooperatives and many donors in health support government and mission facilities but few assist the rapidly growing private sector. Large NGOs concerned with income generation have preferred to support group rather than individual enterprises. In many cases their desire to reach the very poor has led to the distribution of inputs at subsidized prices which has undermined the viability of private producers and distributors.

215. These institutional choices have often been made on the basis of normative rather than analytical judgments, often on the basis of assumptions drawn from conditions prevailing in developed rather than less developed environments. Again we need to consider the comparative advantage of each type of organization to be able to arrive at a better informed understanding of the problems involved. NGOs, as "voluntary" organizations, derive much of their strength from the shared commitment of their members to value-driven goals, a commitment which requires participatory management structures in order to sustain the sense of personal identification with the organization. This can produce a pooling of resources, voluntary or low-cost labor, high motivation and positive externalities in terms of community solidarity and competence. In economic terms, these organizations benefit from subsidies, either in the form of low-cost labor or in the form of donations. In addition, the willingness to work towards "value-driven" goals reduces both "agency problems" and the need for monitoring and supervision within the organization to ensure that standards are achieved. These positive elements can be found in thousands of small and medium sized groups which have sprung up for a multitude of purposes across Uganda over the past decade.^{29/} While NGOs have to be concerned about their financial sustainability and, therefore, have the dual objectives of commitment to social causes and raising funds, the primary purpose of private firms is to maximize profits. Thus private firms do not have the same ideological values as NGOs. NGOs, unlike private firms, may also subsidize their operations from private donations or surpluses from contract work. Usually, but not always, NGOs have lower overhead costs than firms providing similar services. These factors may allow NGOs to provide a better quality product or assist a larger number of beneficiaries.

216. At the same time the NGO organizational form also suffers from some serious comparative disadvantages. Participatory structures can impose heavy decision-making costs stemming from the time involved in meetings and the delays and losses resulting from conflicting personalities and goals. Voluntary labor is often lacking in skills and unable to perform on a regular basis, while community donations to new assets like schools or health posts often fail to include adequate provision for recurrent costs. Free riding by workers or stakeholders and the ultimate allocation of profits can lead to resentment and group breakdown. All of these problems can be overcome through the creation of effective systems of representation, management and incentives, but these are more difficult to sustain than the relatively simple one-person-management system to be found in small private businesses, and may be better implemented in larger private businesses.

^{29/} See Brett, E., *Providing for the Rural Poor*, Brighton, IDS, 1992, Ch. 6.

BOX 9. The Aringa Development Program (ADP)

In 1987 a group of progressive Muslim farmers decided to band together for mutual support on their return from Sudan where they had been refugees to the Aringa County of Moyo District. Originally the Aringa Muslim Development Program, their first year's experiment in rice farmers outside of their group.

They registered as a company in 1988 (they have not registered with the NGO Board, nor had any plans to do so since it has not been explained to them), and successfully sought funding from Lutheran World Federation (LWF) for 100,000/- to purchase a grinding mill. By grinding maize for local people they were able to earn money and so start employing agricultural extension workers (AEWs). The venture rapidly grew, and subsequently they purchased (again with LWF funding) a rice dehusking mill. They changed their name to ADP to reflect their evolution to a secular membership (with Christians as well as Muslims on the Board).

Over subsequent years the enterprise grew (from a budget of 100,000/- in 1988 to 14 million in 1992 and a projected 19 million in '93) and now 14 AEWs are employed (including 2 women as well as 13 people to operate the milling business and associated wholesaling of flour. All but 3 million/- of their budget devices from their own earnings (including members subscriptions and fees for animal traction and secretarial services).

The emphasis of the agricultural program is experimentation and demonstration, using low technology methods suitable to the area, including soil conservation, crop rotation, traditional disease control, and cultivation of non-traditional crops such as bananas, coffee and pineapples. Each AEW reaches out to 10 "contact farmers" with whom they work intensively. Those farmers benefit from such technical assistance and in turn pledge to support at least 10 more farmers. In this way the improved farming messages spread rapidly and widely. For example the numbers of farmers growing rice have grown rapidly, which ADP were able to monitor accurately initially since they had the only rice dehusker in the area. In 1990 ADP milled 3 tonnes of rice, in 1991 56 tonnes and in 1992 (by which time a number of other mills had opened in competition) their throughput rose steeply again.

Their soil conservation work has dramatically improved yields (from 250 to 1200 kg per hectare in the contact farmers fields), and through demonstrations of animal traction about 45 farmers have started using oxen to clear and plough their land. AEWs also assist 13 local schools develop agriculture and forestry programs, and they are now developing a women farmers program, in particular through a savings and loan scheme.

Their income is heavily dependent on their milling operation, which previously encountered little competition. ADP's success, however, has given birth to numerous local competitor mills, which is helping the local economy. Though posing some threat to ADP, a loyalty factor has still enabled ADP to continue expanding) and they are contemplating new income earning activities. ADP gives support to the three government agricultural workers in the area and relates closely to the Resistance Councils and local chiefs, though it does not sit on any local government committees

ADP is a good example of local community initiative, initially a self-help organization for better off farmers, which rapidly spread its benefits to the full cross-section of the community. The evident sense of pride in ADPs achievements, local knowledge and local ownership are clearly its major strengths.

217. While this report was not meant to accumulate evidence to compare private versus collective forms of economic success in Uganda, however, it is still a useful exercise to place the analysis of the role of value driven NGOs in this debate. In private businesses, on the other hand, labor is paid a wage and must do what it is told. Management has the power to allocate resources, make rapid decisions and eliminate workers who are incompetent or redundant. Costs are kept under control because owners have a vested interest in maximizing their share of total income. Where market competition prevails consumers cannot be exploited because new entrants can always threaten established producers. This system can

also impose heavy costs by generating inequality, class conflict and, where there is an excess supply of labor and barriers to entry, unemployment and exploitation. These inequalities in economic control can then be translated into political power, creating communities dominated by a self-perpetuating elite.

218. Yet despite these disadvantages it is private firms rather than cooperatives (especially where they are not "owned" by the members) which have usually been preferred by their final consumers, except where an economic rationale or a very strongly-held belief system exists which binds the group together. Thus, where such cooperative organizations are funded by well-intentioned donors with very little information about who they are or how they operate, and without any strong economic rationale for a participatory structure as opposed to a private firm, it is hardly surprising that opportunism and incompetence often prevail and that large amounts of waste occur.

219. Donors should take great care in supporting collective group activities particularly where such groups have been organized from above or outside the community, and do not have ownership by their membership. Increasingly, international NGOs in Uganda (such as ACORD and LWF) are funding individual enterprises, rather than just collectives per se. This can strengthen the private sector as well as the NGOs' own credibility with local communities and donors. Support for the private sector will not necessarily lead to increased exploitation and political domination in Uganda where land is relatively abundant and dominant private firms very thin on the ground. Programs designed to develop small-scale businesses of all kinds, especially those which increase the demand for local agricultural products, can reduce rather than increase inequality by pushing up prices to small producers and increasing rural wages.

220. The distinction between state, collective and private agencies is by no means clear. The borders range from state managed and controlled (and usually heavily subsidized), to self-reliant (often self-financing), to market-driven. At one end we find schools which belong to the state, but are run by Parent Teacher Associations on a fee-for-service basis; at the other we find cooperative income generating projects which operate in the market and are funded out of profits. Local community groups have also formed savings and loan societies which pool resources on a collective basis while lending them to each other for, use in their individual businesses.

221. It is important that the most appropriate institution is allowed to meet the particular need identified in any situation. It is expected that the result will be a combination of collective and individually owned, not-for-profit, for-profit agencies, as well as a mixture of the two.

B. Government-Donor-NGO Relations

222. Since Uganda is neither a large, prosperous, nor strategically crucial country, the diplomatic community is rather small and informal. The few international NGOs who work in Uganda tend to have considerable budgets and staff, with experienced hands in the lead positions. These factors make for a spirit of trust and a close working relationships between the donors and the international NGOs, which appear to be their favored partners. This leads to some jealousy on the part of the government and may also be resented by national NGO staff, who see the club-like relationship as being a colonial relic and perhaps somewhat racist.

The opinion of "expat" experts appears to be more valued than that of Ugandan NGO workers.

223. International versus national NGO tensions arise also over access to and control over resources. International NGO offices and staff houses, even in remoter areas, are usually well appointed, in nice locations, generously staffed and surrounded by vehicles. National NGO working conditions are not as good (though more pleasant than most government officials enjoy). Moreover, most national NGOs depend on international NGOs at least in part for their funding and have to submit their accounts to and discuss their work plans with them. In a community which speaks fondly of equity and partnership, such evident hierarchy can grate.

224. There are many exceptions. Some international NGOs such as Oxfam and SNV/NOVIB are now emphasizing "non-funding support" and this is much appreciated by the emergent national NGOs. Such assistance includes advice on bookkeeping and strategic planning, management consultancy and training (sometimes including opportunities to attend courses overseas), organization of conferences and seminars either nationally or regionally (for "south-south" exchange), and provision of resource centers well stocked with local and international development literature.

225. In Uganda, as elsewhere, certain National NGOs are starting to broaden their scope. In addition to their operational work, the more innovative NGOs are giving more attention to research, media work, advocating shifts in policy or practice to Ugandan officials, networking with counterparts in other developing countries, and joining with the lobbying efforts of international movements. For the first activity they continue to seek funding from their Northern partners, but for the other, newer activities they seek other, newer means of support. These include access to information (relevant information may be easier to obtain in London or Washington than in Kampala), guidance about effective NGO networks and lobbying opportunities, introductions to politicians and media leaders, and being put in touch with NGOs in other countries who are pioneers in a similar field. "Information Age" partnership requires new disciplines from international NGOs and it requires emphasis on the difference between NGOs and the official sector at a time when other pressures are emphasizing communality of objectives. If traditional Northern partners prove unable to provide the diversity of support they require, Southern NGOs are likely to seek new partnerships with women's and environment networks and other special interest groups.^{30/}

226. The transformation described here is not a uniform one, however. Some NGOs such as URDT and ACFODE are moving ahead faster than others. Meanwhile, more traditional national NGOs express resentment at their "jet-set" colleagues who appear all too ready to travel to international conferences, and who seem to direct more energy to the international NGO more than the domestic one.

227. This is one factor which has clouded the horizon of the Development Network of Indigenous Voluntary Agencies (DENIVA). DENIVA, with over 200 members, is Uganda's principal NGO network. Until now it has been poorly resourced and so has been unable to live up to all its capacity-building and coordination objectives. Its leaders frequently attend international conferences and some feel that this should not be at the expense of its first

^{30/} See *Democratizing Development*, John D. Clark, Kumarian, 1991.

responsibility towards its members. SNV/NOVIB has now agreed to give considerable support to DENIVA to help resolve this problem, but the increasing attention from the international donor community and the overstated credibility such umbrella organizations are given can exaggerate the problem of increasing irrelevance to the needs of its NGO members.

228. The articulate leaders of the new breed of NGO are making their mark. They are persuading their peers that it is not simply a case of ensuring that "the job is well done;" NGOs must analyze whether a different job is more appropriate, and why the job needs doing in the first place. Donors should expect that this trend will increase and will lead to deeper criticism of Northern policies, in particular regarding structural adjustment, debt, the environment agricultural policy. But in becoming more articulate, the move towards intellectualism can undermine their touch with grassroots concerns.

229. At present, NGOs tend to be somewhat diverse. There is to some degree, though to a less extent than elsewhere, rivalries and jealousies between NGOs. It is fairly common to hear criticisms voiced by one NGO of another's program and this probably inhibits collaboration, for example, in challenging the development orthodoxy of major donors (particularly regarding program aid).

230. National NGOs have also tended to be jealous of the cozy relationship between donors and international NGO. This may be beginning to change as ways are being opened up for more direct funding of indigenous organizations. In addition to direct CIDA funding of Canadian NGOs, the Canada Fund--supported by a consultant--gives grants to Ugandan NGOs, and DANIDA is shortly to appoint a full-time Ugandan to develop its funding support for NGOs. Some embassies are using ambassadorial discretionary funds for similar purposes. USAID, meanwhile, has declared its intention to support local NGOs but prefers US NGOs to act as the conduit for their assistance.

C. Cooperation in Community Capacity Building

231. A current donor emphasis is on micro-grants for individual communities, rather than on government programs covering wide geographical areas. In part this stems from donors' enhanced emphasis on poverty reduction, and in part from the recognition that certain vulnerable groups have been particularly hit by economic crisis and structural adjustment efforts.

232. The Program for the Alleviation of Poverty and the Social Costs of Adjustment (PAPSCA) has been the most evident example of this development. Originally billed, as its full title implies, to mitigate the social costs of adjustment, it has in fact not been specifically targeted at population groups who have borne the brunt of adjustment, but more broadly at communities to support their own initiatives (along the lines of the community initiatives component of the PAMSCAD program in Ghana).

233. Targeting communities requires different channels other than line Ministries at the National level, and District Government is the more obvious strategic unit than Central Government. This level, however, is even more poorly resourced, hence the attractiveness of NGOs. Many of them work at district level for which they have an infrastructure in place, they have close contacts with many of the communities, with District officials and with leaders of the RC structure and CBGs. Moreover, they have a reputation for good

administration, honesty, and competence in funding decision. Thirteen NGOs have assisted with the PAPSCA program.

234. Though some NGOs such as Oxfam have supported community organizations for many years, most prefer operational programs in which they play the part of mini-local governments. They often discover, however, that greater impact and sustainability results when groups within the community administer the funds and make local decisions (ACORD's experience with credit schemes in Gulu District is of particular interest). Hence, they stress community empowerment and supporting local initiatives (development done by people, rather than to people).

235. This emphasis on "participatory development" has led many donors to explore ways of "reaching down to the grassroots." For example, UNICEF helped set up the Uganda Community Based Association for Child Welfare (UCOBA) -- which administers fund to support community initiative. The European Community has a micro-projects fund for community initiative. DANIDA has recently agreed to experimental funding of the District Development Committee in Rakai to support local community development. USAID has expressed an interest to see US NGOs brokering grants to communities and, most recently, the Dutch government has agreed to support the Community Action Program (CAP) as a component of the IDA supported Northern Uganda Reconstruction Project.

D. National Community Action Trust

236. In the 1992 Budget Speech, the Minister of Finance announced the intention to establish a National Community Action Trust (NCAT) which would comprise a small secretariat for policy issues and for apportioning funds to a series of District Community Action Trusts. The latter would be autonomous quasi-local government bodies with a grant-making board comprising officials, NGOs and elected representatives from the RC structure. They would receive applications direct from communities and NGOs in the district and would fund successful applicants directly.

237. The NCAT proposal in part reflects government's recognition of donors' priorities, in part is an attempt to provide greater coordination of development at the district level, and in part is a bid for the driving seat in NGO financing. The government would like to see donors channel funds through the new NCAT rather than through the NGOs directly. There is little chance of this objective being realized. Donors may direct some bilateral resources this way, but are unlikely to reduce funding for the NGOs which by and large they have increasing respect for. In addition, NGOs are likely to resist working within the confines of a centralized financing body. The danger of such centralized financing mechanisms is that they have the capacity to be used as instruments of political control.

238. Donors will also want to be satisfied that NCAT/DCAT is a viable and equitable proposition. Decentralization on the surface is a noble ambition, but can introduce problems. Funding decisions might be less oriented to sustainable development and poverty reduction than those made through the present structures. District officials and political leaders are usually subject to less scrutiny and accountability than their central counterparts. And community leaders (within the RC system) are likely to be chosen more for their political adroitness and strength than for their representativeness of the poor.

239. The experience of Harambee in Kenya and similar schemes elsewhere is that communities, influenced as they often are by strong leaders, are likely to "choose"

unproductive, prestige activities, such as the construction of village meeting halls, or economic activities which happen to benefit the community's leaders most.

240. Organizations like World Vision--which have considerable faith in community-controlled development--have found that it is desirable to decide on program priorities at a sub-county (RC3) level after wide consultation and to build up strong community awareness of the pros and cons of a range of investment choices before handing over the funds. Community empowerment involves guidance, education and an appropriate local structure as well as money. With all those ingredients it can be a rewarding experience for all concerned, but simply handing over the money is likely to yield disappointments all round. This, of course, is delicate argument. To some it suggests empowering the communities to do what the funder wants. If a community wants to use available funds to defray the expense of funerals (a dominant concern in this most AIDS infected country in Africa) then why shouldn't they? And if a meeting hall would enhance the quality of life through raising the village's status within the area, is this not valid?

Box 10. Community Action Trusts

Donors seeking quick and flexible ways of supporting local projects now sometimes set up trust funds to support the activities of local NGOs and CBGs. The Uganda government has indicated its interest in this approach, while the Dutch government is financing a large Community Action Program (CAP) as its contribution to the Northern Uganda Reconstruction Program. Actual programs have been in operation in Uganda for many years run by Oxfam and the European Development Fund (EDF).

Oxfam does not manage its development (as opposed to relief) projects, but gives financial support to local group projects. It has done this for more than a decade supporting a variety of health, welfare and small scale development projects. It employs a few Project Officers who review proposals, provide advice and monitor performance. The number of projects and cost of supervision is such that they can rarely visit any project more than once. Its larger grants go to established local NGOs - like the Church-based health programs - it also runs a small-grant program that funds short-term projects for small groups.

EDF has now been running an 'Micro-Projects Program' for many years in many of the most remote and marginalized districts in Uganda. Local groups are encouraged to bring projects forward for funding on a district by district basis. Proposals are vetted and applicants interviewed by two senior head office staff and a selection made. Successful applicants then receive materials and provide their own labor to complete the project. EDF does not have the capacity to provide technical assistance and other support.

The advantage of the CAT approach lies in decentralization and flexibility. It should be able to respond to local initiatives and provide funds quickly and without complex bureaucratic requirements. Local organizations can be expected to understand local needs, to use appropriate technologies and to be accountable to their members. Funders can maintain small offices and keep overheads to a minimum.

241. These are not new dilemmas. Donors and NGOs, while speaking of "development cooperation," have always defined the development in which they are prepared to cooperate. They hold the purse-strings. They should be transparent about the range of activities they will support (and be prepared to modify that list on the basis of experience).

242. The experience of existing and planned community funding deserves special study before developing the NCAT/DCAT proposal further, in particular to learn what schemes are

preferred by communities, what are most economically effective, what are most sustainable, what structures are most effective within the district or county, and what inputs in terms of education and guidance (for example, book-keeping, organizing meetings, etc.) are required.

243. The Dutch-funded Community Action Program (CAP) in the three Districts of West Nile as a trial run for the NCAT/DCAT approach. In CAP a District Coordinator, field worker and a team of "facilitators" will work with communities to identify priorities in both infrastructure and income generation. It will also finance NGOs. CAP has a \$6 million budget over 3-4 years and anticipates that one-third of this will be used for overheads, including local capacity building. Applications from communities--if they fit a range of essential criteria--will be vetted by CAP staff, possibly appraised by local experts, and considered by special sub-County (RC3) level advisory committees. Decisions would be taken by District level committees, whose composition has yet to be decided upon. It is expected that CAP will start allocating grants by August, 1993. One issue that will need to be addressed in evaluating the CAP is whether this arrangement is productive or just interjects another layer of political control or bureaucratic delays.

244. Besides the difficulties experienced at local level in ensuring funds are well used, community funds are also likely to experience considerable problems at the national level, as has been copiously demonstrated by PAPSCA. World Vision, ACORD, Action-Aid and other NGOs which participated in PAPSCA have all found immense difficulties and frustrations, in particular, with the procurement procedures. In some districts, PAPSCA is World Bank financed and in other districts it is financed by SIDA and other donors. It appears that the procurement difficulties have been most severe in the former, where restrictive Bank requirements are layered over those of the government.

245. In addition to finding the procedures unclear and inflexible (as discussed in chapter four), NGOs have found that they tend to favor purchase in Kampala or importation even when local goods are available (as such they have countered the rural incentives provided by liberalization and devaluation). The Bank insistence that up to ten percent of the funding must be provided by the government has also contributed to delays, since the fiscally constrained government has not been able to provide its counterpart funds. Delays in procurement decisions are caused by the number of steps required first with the government Central Tendering Board and then with the Bank. World Vision calculate that, initially, thirty steps were necessary in order to process a single cheque.

246. Such delays are not only irritating, but they can do serious damage to the NGO's relationship to the community. The NGO may have mobilized local people to make considerable voluntary effort perhaps at a very busy time of year (for example, brick-making, collecting sand, and wood gathering, etc. If the community meets its part of the bargain but the promised goods do not arrive, the community loses its trust in the NGO. For example, half-built primary schools in Gulu suffered considerable rain damage because the metal sheets for the roofs failed to arrive in the World Vision--PAPSCA project, and the communities tended to blame World Vision.

247. Though participating NGOs still have many complaints, they feel both that procedures have now been eased and that they have become better acquainted and more effective at working within the procedures. Now they advise that PAPSCA should be continued for at least one more year (some argue for two or three more years, to enable the community initiatives to become self-sustaining).

248. NGOs who are dependent on other donors do not appear to have the same procurement problems as those using Bank finance. The ingredients for a successful

relationship appear to be: (a) be as flexible as possible, in particular, supporting local purchase; (b) ensure that the NGOs are fully aware of procurement requirements, for example, by arranging workshops to explain them; (c) require NGOs to account for their procurement decisions after the event, rather than insisting on prior approval; and (d) put up funds in advance which NGOs can draw on to avoid their experiencing cash flow problems.

249. Relationships between different types of NGOs, between NGOs and Government, and between NGOs and donors can be less than harmonious because each adheres to different value systems and different ways of working. These differences can give rise to considerable strain when cooperation between the sectors seeks to make NGOs abide by the same procedures that donors expect of commercial consultancy firms. In so doing, the quality of the NGO contribution is likely to be eroded. Central government ministries that have a broad perspective on finance and planning may be the most appropriate venues for governmental leadership on NGO issues because of their interest in expanding services at a lower cost and the fact that they do not compete with NGOs in the services they perform.

250. For collaboration to be fruitful, donors (especially the Bank) should develop more flexibility, particularly as regards procurement arrangements. Donors should also be wary of multiplying or greatly expanding community financing schemes until experience demonstrates effective ways of reaching down to grassroots levels in ways which benefit the poor sustainably.

251. While collaboration in implementation is important, this must not be at the expense of the very attributes which make NGOs important partners in development. It should also not monopolize the relationship. NGOs have distinctive strengths because of their closeness to the grassroots, because of their experience in poor and remote regions, because of the trust they enjoy from vulnerable groups, because of their voluntary tradition and many other attributes. These combine to give NGOs useful insights into the dynamics of poverty which should be sought at all levels of project and program planning, not just at implementation stage. For example, NGOs can help with participatory research to identify grassroots priorities; they can help build the capacity of CBGs to design sub-projects so as to be more relevant to the poor; they can act as conduits for local knowledge and local concerns at project preparation stage, facilitating information flows from the bottom-up; they can assist in the organizing of public consultations; they can help mediate compensation or changes in project design if it emerges that some might be negatively affected; they can help set up structures to maximize community ownership; and they can help with monitoring and evaluation by sounding out the experience of local people. Collaboration in this broader sense is likely to lead to more robust programs and to healthier relationships between government, donors, NGOs and CBGs.

Box 11. Building Community Capacity: The Change Agent Training Program

Some years ago the Quaker Service Norway, an international NGO working in Uganda realized that sustainable development at the community level required aware, technically competent and managerial efficient associations and groups rooted in the community rather than coming at the community. Shifting its emphasis away from direct implementation of development activities, the Service began piloting a "change agent" training program to build competence among grassroots associations in Uganda to undertake rural development in a self-reliant participatory manner.

The aims of this initiative were to: create awareness among villagers of self-reliant participatory development philosophy and methodologies; to strengthen groups which have formed voluntarily at community levels for the purpose of development; and generate a horizontal diffusion of change agent training from community to community throughout Uganda. Eventually, Uganda Change Agent Association emerged, founded by 75 former trainees. Today there are over 250 members in 10 branches spread in all corners of the country. A genuine NGO to community based groups capacity building movement is taking shape in Uganda.

The training is experienced based, merging theory with practice, covering topics ranging from community organization and poverty and gender analysis, to income generation. Most of the association members work with nongovernmental indigenous local groups, many of whom often do not even possess a legal status, as capacity builders of indigenous communities.

Chapter Eight. Findings and Recommendations

252. The findings and recommendations of this report cover a wide range of issues concerning NGOs, government and donors (particularly the World Bank). This chapter outlines those findings and recommendations

A. Understanding Diversity as a Strength

253. Experience in many African countries has shown that NGOs can often be effective in providing a wide range of assistance to small enterprises and small-scale farmers, at the grassroots level. Their activities range from social mobilization to direct service provision. The small size of many NGOs helps to maintain a strong sense of mission and prevent bureaucratic rigidity. Many of the most successful NGOs are effectively managed by a charismatic leader who founded them and hand-picked the staff for their commitment and motivation. It is generally difficult for a large organization, particularly a governmental organization constrained by civil service rules, to duplicate these advantages.

254. In some countries, however, donors have flooded small successful NGOs with money and responsibilities, with the result that the NGOs have reduced effectiveness. It is important to avoid overstretching the capacity of any single NGO.

255. There may be advantages to working with a diverse group of NGOs as opposed to a single governmental or nongovernmental agency. First, it encourages innovation because a multiplicity of assistance approaches may be tried. Second, it may increase the efficiency of service delivery because an NGO can specialize in a particular type of assistance or concentrate its support in a specific geographic area.

256. Any **classification** of NGOs which is functional would be of practical use for donors, the government and beneficiaries alike. For example, the things that matter for the Bank are: (a) is this NGO willing to work with the Bank; (b) what expertise, e.g. local knowledge, grassroots relationships (social mobilization skills), does this NGO have to offer; and (c) can the NGO offer this expertise at a competitive price given its quality, reach, and effectiveness?

257. NGOs have played an important role and have been of significant help to large numbers of individuals and groups. However it is unrealistic and possibly misguided, to expect NGOs by themselves to fill the gaps left by the collapse of government services. This is reflected in both the social indicators and in the Luwero study which suggested that the impact of NGOs was limited and uneven. It is the government that has the responsibility to ensure universal access to basic needs, not the NGOs. But many NGOs are willing to be active partners in achieving this goal.

258. NGOs have **widely differing goals and priorities**, both from each other and from either the government or donors. But there are many areas of mutual concern and interest. NGOs will resist being used or controlled by others as they value their independence highly but they may be willing to work as equal partners with government and donors to pursue mutual goals. Involvement needs to be on a voluntary basis with mutually agreed arrangements and expectations.

259. It is important to appreciate the social value of NGOs' goals, but it is important to recognize that **their goals and values do differ from the Bank's and government's**. Donors and government have no obligation or need to support NGOs per se, but rather they should utilize the opportunities NGOs present to work together on projects and in a manner which is of mutual interest. Given the variation in the quality of NGOs it is hard for the Bank or government to distinguish between different NGOs and also between NGOs and private sector firms. When tendering, or through whatever other process is used to identify partners, they can let **NGOs compete against private for profit firms, particularly where they have a comparative advantage at the local level**. Their advantage, whether it be on cost, reach, quality, effectiveness, or something else, should become evident as part of this process and they will have justified themselves as the most qualified partner. Using this approach will force both donors and NGOs to pay more attention to issues of cost, quality, reach, effectiveness, the relative cost of different goals, etc., which should have a positive impact on the development of appropriate strategies to meet their goals. NGOs themselves can, and do, choose which, if any, donors they wish to work with. Choice can be available on both sides.

260. However, information collection is costly and resources would have to be provided to ensure that the information is kept up-to-date. NGOs regularly change their focus and new ones are continually being formed, while some may disappear. Without updating, a database would only be useful for a short period of time. This function could be performed by the government or an NGO, and in either case, institutional competition could adversely affect the usefulness of the database.

B. Unfettering the Operational Environment

261. NGOs face a number of major constraints. Their **organizational, administrative and managerial capacity**, though often superior to government agencies, is still weak. Government and donors can do much to develop NGOs' capacities. Possibilities include **providing places for NGO staff on management courses** and encouraging them to **include provisions for training, office equipment, administrative overheads and other capacity-building expenditures**. Building on this it should be possible to encourage international and large indigenous NGOs to become involved in this capacity-building process by assisting smaller NGOs and CBGs to gain access to resources and by developing training programs for them. This already happens to some degree; ACFODE has an expanding program of training for NGO staff and TASO has created a niche for itself as a trainer of AIDS counsellors.

262. It is often proposed that government and donors set up separate training programs for NGOs. This has a number of drawbacks over utilizing what is already there. First, it is very costly compared to the marginal cost of providing spaces on existing programs. Secondly, existing programs have a need to make themselves relevant to business needs and so, presumably, effectiveness and efficiency are important elements to any such program. Thirdly, programs run for NGOs tend to consist of one or two day workshops, which are an entertaining break from the office. However several NGOs voiced complaints that they were not substantial enough or truly relevant to their needs and no follow-up was offered to help adapt the lessons of the courses to the specific context of the individual NGO. Finally, NGOs are probably better at identifying their needs than government and donors are, so by encouraging them to develop their own training programs and by charging one another for what they offer, they are able to meet the most important training needs of the NGO

community at a cost which has to be justified in terms of the benefit received. TASO and ACFODE have both seized these opportunities.

263. Legislation in Uganda is ambiguous and leaves NGOs exposed to the whims and fancies of political patronage creating an unpredictable environment which undermines NGOs' abilities to plan and implement effectively. Removing the ambiguity inherent in current legislation and establishing clearly the rights, privileges and responsibilities of NGOs and government would greatly facilitate a better relationship on both sides. The objective should be to create an environment that encourages development activity, minimizes bureaucratic obstacles and maximizes freedom and autonomy. The current NGO statutes need to be reviewed and revised in a participatory manner, including government, donors, NGOs and CBGs in the process. A process of liberalization in the NGO sector needs to be encouraged.

264. Relationships with donors, both bilateral and multilateral donors present particular problems for NGOs; time frames are different, donors' administration requirements, particularly procedures relating to procurement, disbursement, accounting and auditing, are complex, cumbersome and emphasize tight control. Flexibility is reduced, and delays and frustrations can have a negative impact both on NGOs' effectiveness and on their reputations in the communities with which they work.

265. Recommendations to improve relationships have been identified and clearly stated by World Vision in its recent evaluation of the PAPSCA project. When working in partnership with NGOs enhance their effectiveness by **involving them at the design stage**, building **flexibility** into the project and specifying **procedures** which correspond to NGOs' abilities and needs. In addition, ensure full transparency and mutual understanding by making responsibilities, obligations and administrative mechanisms clear at the outset. This can be achieved by **providing basic orientation and training**, by preparing the credit agreement and other legal documents in a clearly written style, and by ensuring that NGOs understand government mechanisms for handling World Bank loans.

266. NGOs, as well as government agencies, are often only **indirectly accountable to beneficiaries**. Accountability is dependent on the patronistic assumption that either NGOs themselves or the donors or government financing and monitoring their work, know what is best for the poor. This is troubling given the ideological priorities many NGOs have and given the geographical spread of NGOs which shows that they are concentrated around the less-impooverished Kampala area. A real effort needs to be made to "empower" beneficiaries more directly. In different places this report both makes the case for "empowerment" through vouchers or monetary transfers to beneficiaries and identifies problems with this approach. Given the problems with accountability there is a real opportunity and need for innovation in the design of such direct approaches. This would allow informed beneficiaries, whether groups or individuals, to choose which NGO or private firm they wish to provide which services to them. However, such alternatives, while encouraged, should be accompanied by efforts to address situations of imperfect information which can lead to poor decisions by uninformed but empowered beneficiaries.

267. Accountability of NGOs to bi-lateral donors is weakened by the long organizational chain between taxpayers, government, NGOs and their projects. This being the case, donors need to integrate monitoring and evaluation into the project in advance, by insisting on the clear specification of objectives, the collection of appropriate levels of baseline data, the establishment of formal reporting requirements, and the provision of a regular process of

independent and external monitoring and evaluation. Such evaluations should attempt to make use of "participatory" methods based on community involvement in carrying out their assessments. Accountability can also be accomplished through peer review as developed through an **NGO Code of Conduct**. The development of such a Code in Uganda should be supported by the Bank.

268. **Collaboration.** NGOs prefer the term collaboration to coordination, often seeing 'coordination' as a transitive verb, the object of which no-one wants to become! The motivation behind the desire to coordinate seems to come from a perception that resources are directed at one and are being used for redundant or low priority purposes. Given that NGOs' greatest strengths derive from their heterogeneity, their independence, and their ability to respond to changing needs, it is important to recognize the validity of their activities.

269. Where redundancy or overlap does occur, it is in the best interests of the NGOs themselves to collaborate to ensure that their very limited resources are put to the best use. This is, in fact, what happens. Relief efforts in Kumi and AIDS in Rakai are both cited as examples where "coordination" from outside is required. It is necessary to realize first, that there is a learning curve to coordination, secondly, that once the need for coordination is recognized NGOs will start talking to one another, and finally, that NGOs are probably further up the learning curve and moving faster than outside parties such as government or donors. The interview with TASO highlighted the problems, but also brought out what the interested parties had done to overcome those same problems.

270. Finally, cooperation where required is more effectively achieved through voluntary collaboration done by sector, e.g. health and education, and involving public, voluntary and private sectors, than it is by insisting on coordinating the activities of NGOs as a group. It makes no sense for an outside party to micro-manage NGOs.

C. Identifying Mechanisms for Integrated Planning and Collaboration

271. **The National Community Action Trust.** While the NCAT and DCATs have been proposed in last year's budget speech, there is little evidence of real enthusiasm either by government or by the NGOs themselves to follow through on implementation. Unless the political will and popular participation is there it does not make sense to proceed with the proposal.

272. A Community Action Program with similarities to the NCAT proposal is currently under initial implementation in three districts of West Nile. It would be worth viewing this program as a trial run for NCAT and using the lessons from that experience as a basis for deciding to move ahead.

273. If NCAT were to move ahead there are certain **guidelines** this report would propose based on the lessons learned in the course of our studies, not all of which are incorporated into the CAP scheme. These are as follows:

- (a) DCAT Boards should have representation from government, NGOs and possibly others to provide different perspectives and, more importantly, "peer monitoring".

- (b) NCAT is proposed as a "fund" so let local Resistance Councils (elected representatives of the people) and CBGs apply for funds for projects. Putting money into the hands of the beneficiaries will "empower" them in their relationships with NGOs and private firms and make NGOs more responsive to the perceived needs of these groups. However, the terms and conditions, and procedures and mechanisms associated with any such approach would be all-important. Beneficiaries may be ultimately in charge, but NGOs (and private sector) should have incentives to provide technical knowledge and resources.
- (c) NGOs should be kept out of the direct funding line, but should be encouraged to provide the technical assistance and contracting service to identify projects, to assist with funding applications, and to implement projects. Keeping NGOs out of the funding line keeps financial power in the hands of the community groups and removes a conflict of interest that would exist if NGOs were both approving disbursements through their positions on DCAT boards and applying for funds on their own behalf.
- (d) Make NCAT responsible for establishing a "menu" of approved areas for funding so that communities know what choices are available to them. This should also reduce the degree to which applications are exposed to elements of political patronage.
- (e) An independent monitoring and evaluation unit should be established. The information generated by this unit could reward those DCATs which are most effective at funding successful projects. This unit could be established at NCAT to build a single source of expertise on the comparative merits of approaches and organizational capacity. However, this could result in the politicization of the unit, especially if funding decisions are also made by NCAT.

274. Finally, as a direct result of the National Workshop on "Realizing the Development Potential of NGOs in Uganda", the preparation of an **NGO Action Plan** was recommended. This plan would include the following main features: (i) clarification and promulgation of government policy toward NGOs; (ii) establishment of an NGO information system; (iii) development of an NGO Code of Conduct; (iv) creation of NGO coordination structures and mechanisms; and (v) identification of appropriate modes of GO-NGO-Donor collaboration. As commissioners of the NGO study and convenors of the national workshop, the MFEP will take steps to elaborate the proposed plan of action; commission a preparation team; and secure the necessary funds to undertake this planning exercise. The Bank should seek ways to help support the preparation of this plan.

D. Fostering World Bank Collaboration with NGOs

275. This report makes the following **specific recommendations for the World Bank:**

1. Provide technical, management and training support to NGOs with an emphasis on strengthening their ability to serve as "capacity builders" of CBGs. This could be accomplished through the establishment of a **special**

Bank NGO Grant Window^{31/} Although alternative vehicles for NGO funding exist, such as the Participation Fund and the Institutional Development Fund they have tended to focus on different targets. Nor do these alternative funds provide the scale of financing that maybe required to meet social needs through NGOs and community based groups. Financing through a special Grant Window would encourage NGOs and CBGs to build sustainability into their projects at the design stage by facilitating institutional development, beneficiary participation, ownership and implementation competence. At the same time, IDA efforts to strengthen NGOs as capacity builders through the ongoing EDI Japanese Trust Fund for NGO training and strategic planning, and the newly established Institutional Development Fund (IDF) and African Capacity Building Initiative (ACBI) should be expanded as much as possible.

2. Utilize this Sector Study Framework and Methodology as a contribution to development of an **NGO Operational Handbook** which is being undertaken by the NGO unit, Human Resource Operations Vice-Presidency (HROVP) for staff; and a **Guide to NGO Country Sector Assessment** currently being developed by the Africa Region Technical Department.
3. In addition to a longer term study to profile NGOs as part of the development of a comprehensive NGO management information system/data base, work should be undertaken to develop a better understanding of the economic advantages offered by NGOs. Such research should identify and quantify "subsidies" enjoyed by NGOs (e.g. donations, employees willing to work for lower wages), the advantages of basing accountability on "shared values" rather than on auditing, monitoring and evaluation, and the economic benefits of having employees that share management's objectives.

^{31/} An example of such funding is The Population NGOs Special Grant Program which is one of ten special grant programs managed by the PHN Department of the World Bank. This program is financed out of World Bank profits. The Bank is currently establishing a new comprehensive grant fund to support social assessment, capacity building and participation. NGOs are seen to be a major beneficiary of this funding vehicle.

Extract from the Minister of Finance's Budget Speech - July 1992

Since 1990, the Government Budget as well as the RDP have given an increasing emphasis on the rehabilitation of social services and infrastructure, especially primary health care, primary education, and rural infrastructure. Large scale projects, such as the Fourth Education Project, First Health Project, Rural Water Supply Project and the Northern Ugandan Rehabilitation Project, are being implemented by the concerned Ministries through the Development Budget. More of such projects are being planned so that a greater number of Ugandans may have access to improved basic social services. In addition, the Government has been implementing the Program to Alleviate Poverty and the Social Costs of Adjustment (PAPSCA) which is intended to provide direct assistance to the groups of the population who are especially handicapped (such as orphans and widows) and those who require special government assistance to cope with the effects of adjustment.

While the Government's Budget Policy will continue to give priority to the rehabilitation of social services throughout the country, it is to be recognized that communities, RCs and NGOs have not been merely waiting for government projects. Many of them have already embarked on self-help projects to rehabilitate and improve schools, dispensaries and health centers, springs and boreholes, village storage facilities, community centers to mention but a few. Typically, communities organized at the initiative of the RCs and the non-governmental bodies have contributed both in cash and in kind to embark on such projects. Many of such community-based projects in the social sector, however, remain incomplete due to lack of critical missing inputs, such as cement and roofing sheets.

So far, there has been no systematic effort by the Government and official foreign donors to tap these existing capacities existing outside the government system to help address the urgent social sector problems at the grassroots. The Government recognizes the need for a national framework for mobilizing these non-governmental capacities and for more systematic linkages with official donor agencies.

In order to further encourage the community initiatives to improve and rehabilitate their own social infrastructure and to fully utilize non-governmental capacities already existing at the District and community level, the Government has decided to establish a National Community Action Trust as a quasi-government body which will assist those communities and RCs which are helping themselves through such self-help projects. The National Community Action Trust will also serve as a national mechanism for channelling official and non-official donor resources to the grassroots in their self-help approach to social rehabilitation and development. The National and District Community Action Trust is not intended to alter the current mode of operation of NGOs. It is, however, expected that a number of NGOs will participate both in the administration of funds at the District level and also as a technical agency assisting communities in the implementation of self-help projects.

The members of the Board of the National Community Action Trust will consist of both government officials and non-governmental representatives. The administration of the fund will be completely decentralized to the District level, initially. At the District level, a District Community Action Trust (DCAT) would be established consisting of the RCs, the District Administration and well-qualified NGOs. The District Community Action Trust would essentially act as a response mechanism. The DCAT would only receive financial

assistance requests from the community-based organizations, RCs and NGOs, examine the requests under the established national guidelines, undertake field verification where needed and release the funds to cover only critical missing inputs, such as cement and roofing sheets.

Appropriate legislation to give legal effect to the National and District Community Action Trust will be submitted to the NRC during the year.

Overall NGO Sector Study Methodology

INTRODUCTION

1. Non-Government Organizations (NGOs) are becoming increasingly evident as contributors to national development in most developing countries. They are widening the range of their activities to cover most sectors of both rural and urban development. They are raising and disbursing a growing volume of funds. They are becoming more vocal on development issues. They are claiming the attention of the international donor community for the alleged effectiveness of their approach to development. They are responding to the trend towards a greater role for the private sector in many areas of national development.

2. The rise and proliferation of NGOs, especially indigenous NGOs, reflects a growing awareness that development is more likely to be successful and sustainable if it is planned and implemented with the active involvement of those whose lives will be affected by it. Hence the emphasis in current development thinking on "social mobilization," "community participation," "beneficiary assessment," and development that is "demand-driven." There is no generally accepted definition of what an NGO is, but a distinction seems to be made between NGOs and "community groups," the latter being self-organized groups formed for specific purposes within communities (where "community" is understood to correspond to the primary levels of social organization). Community groups may be considered alongside NGOs in any attempts to make development more people-centered.

3. NGOs and community groups have been identified as of particular importance in implementing strategies directed at poverty alleviation and the mitigation of the social costs of economic programs of structural adjustment. Such strategies include the World Bank initiated "Socio-economic Development Fund" (SEDF) or "Social Action Fund" (SAF) model for government - official agency - NGO - community collaboration. A recent report on **Socio-Economic Development Funds: A Guideline for Design and Implementation** from the Social Dimensions of Adjustment and Development Unit, Africa Region, World Bank stated that NGOs and community organizations are:

- Uniquely able to maintain close contacts with low income groups of the population;
- Often already experienced in the design, implementation, and evaluation of small development projects at the community level and can consequently be quite effective in executing projects financed by the SEDF;
- Able to enhance community participation in the design and implementation of any development projects a key to its future sustainability;
- Closely cooperate with local communities, which is essential to the successful operation of an SEDF.

4. If NGOs and community groups are to play an increasing and wider role in socio-economic development in general and poverty alleviation in particular, involving collaboration with and funding by government and official development agencies, then there is need for consideration of appropriate policies, structures, and procedures that will promote and

facilitate such collaboration. The Government's decision, announced in the 1992-3 budget, to establish a National Community Action Trust (NCAT) makes this all the more urgent.

5. The Government intends that the NCAT should be: (a) A quasi-governmental body which will assist those communities and RCs which are helping themselves through . . . self-help projects; (b) It will serve as a national mechanism for channelling official and non-official donor resources to the grassroots in their self-help approach to social rehabilitation and development; (c) The administration of the fund will be completely decentralized to the district level, initially; and (d) At the district level, a District Community Action Trust (DCAT) would be established, consisting of the RCs, the District Administration, and well-qualified NGOs."

6. Before the NCAT and the DCATs can be established, it will be necessary to determine in detail how they will operate, how they will be administered, how they will be managed.

7. But first there is a need to know more about NGOs. There is as yet no comprehensive compilation of information on NGOs and their activities in Uganda. The National Board for Non-Governmental Organizations is in the process of, but has not completed registering NGOs. Other bodies, including the Aid Coordination Secretariat in the Office of the Prime Minister and the Development Network of Indigenous Voluntary Agencies (DENIVA), which is itself an NGO, have assembled a lot of relevant information.

8. The NGOs themselves, or rather a substantial number of them, have recently drawn attention to their operating environment, focussing on such things as registration procedures, tax exemption, immigration formalities, clearance of imported equipment and materials, and relations with government departments. A Select Committee on NGOs appointed by the Vice-President recently submitted conclusions and recommendations on a number of issues affecting NGO - Government relations, and these are currently under consideration. But there is a need to widen the debate, and to identify all factors that may contribute to or detract from an "enabling environment" for NGOs. Such factors may relate to promotion and facilitation, coordination, accountability, and regulation.

9. There is also a need to examine the claim, which is close to becoming conventional wisdom, that NGOs are more effective than government or official agencies, at least in some areas of development. This claim of a comparative advantage should be tested, and its extent and occurrence assessed.

10. The present study will address such issues. It will suggest ways and means of utilizing more fully, as well as enhancing, the potential and capacity of NGOs and CGBs to contribute to national development in general, and poverty alleviation in particular. It will propose structures and mechanisms for implementing the NCAT.

PURPOSE OF THE STUDY

11. To suggest ways and means of strengthening the NGO sector and to enable it to participate more readily in the processes of national development planning, of enhancing and using more fully its comparative advantage, and of maximizing its contribution to national development. The study would also propose structures and mechanisms for the National Community Action Trust by doing the following:-

- a. Creating a profile of the development NGO sector in Uganda, especially in activities relating directly to poverty alleviation.
- b. analyzing the environment in which NGOs operate, and the extent to which that environment may possess characteristics that are enabling or disabling with respect to NGOs' activities.
- c. examining NGO performance and determining in what areas the NGO sector may have a comparative advantage.
- d. examining whether that comparative advantage may be enhanced by collaboration with Government and official agencies (in particular through the proposed NCAT), or by any other measures aimed at promoting partnership, scaling up, or replication in areas of perceptible achievement.

METHOD OF THE STUDY

12. The study will involve five major tasks:

A. Establish a comprehensive profile of the NGO sector in Uganda from existing files and records, and devise appropriate methods for establishing and maintaining an up-to-date, accurate, and accessible NGO data-base. This task will be broken down into four sub-tasks:-

- a. establish a working definition of "NGO" and a method of classification for the purposes of this study and its intended consequences.
- b. identify, review, and analyze information in existing files and records.
- c. prepare a description of the NGO sector in Uganda based on the analysis of information in existing files and records.
- d. prepare a practical and affordable plan for establishing and maintaining an up-to-date, accurate, and accessible NGO data-base.

B. Analyze and assess the environment in which NGOs operate with a view to identifying those factors that facilitate or impede their work. This task will be broken down into three sub-tasks:-

- a. investigate, by interview, questionnaire, or other appropriate means, NGOs' and others (Government, official agencies, qualified observers) perceptions of the environment in which NGOs operate and the problems and opportunities which that environment presents.
- b. review structures and statutory instruments, rules and regulations, practices and procedures that help to create the environment in which NGOs operate.
- c. analyze the findings of the investigation and review, identifying positive and negative factors and specifying implications for possible action.

C. Undertake a pilot study of a number of communities in one geographic area in order to understand the process and assess the impact of NGO activity within those communities, and to examine the efficiency of those activities. The perspective to be used will be that of the communities in which NGOs operate and not the perspective of the NGOs themselves. This task will be broken down into four sub-tasks:-

- a. select for study a suitable area in which there is a range of NGO activity addressing typical poverty-related socio-economic problems. Certain types of work which NGOs are involved in are of particular interest. These may include primary education, provision of health services, vocational training/small scale industry support and the support of revolving loan credit schemes.
- b. determine the methodology to be used, with a view to achieving results that are quantified to the greatest extent possible, that are consistent in form, and that may be used with confidence to draw general conclusions. The methodology employed should be capable of assessing NGOs' capacity to serve the community in ways it is not currently doing, eg. its capacity to execute relief programs and other special programs such as the NRA Veterans Assistance Program.
- c. carry out the study.
- d. analyze the results, drawing conclusions regarding the claims made for the efficiency and effectiveness of the NGO sector and the extent and occurrence of any comparative advantage, and specifying implications for possible action.

D. Identify and assess opportunities to strengthen the efficiency and effectiveness of the NGO sector and to realize more fully its comparative advantage: through changes in Government policy and procedures; collaboration and partnership between NGOs, Government and official agencies; scaling up; replication; or any other appropriate means. This task will be broken down into four sub-tasks:-

- a. identify and investigate recent initiatives to promote or procure changes in Government policy and procedures; collaboration and partnership between NGOs, Government and official agencies; scaling up; replication; or any other means of exploiting more fully the potential of the NGO sector to contribute to national development.
- b. review NGO sector experience in other countries, with particular reference to Government policy and NGO-Government-official agency collaboration.
- c. identify and develop possible new initiatives, including the proposed NCAT, using information obtained from the sector profile (task 1), the results of the operating environment analysis and assessment (task 2) and the field study (task 3). Explore the implications of such new initiatives on budgeting and finance.
- d. discuss possible new initiatives with selected representatives of NGOs, Government and official agencies.

E. Prepare a report including conclusions and recommendations based upon the findings of the study concerning the role of NGOs in national development and poverty alleviation, including proposals concerning the operation, administration, and management of the proposed NCAT; and document the findings in a draft final report, which will be presented to and discussed at a national workshop attended by representatives of NGOs, Government and official agencies.

EXECUTION AND DIRECTION OF THE STUDY

13. The study will be executed in two parts. A qualified individual will be recruited to undertake tasks 1, 2 and 4. This person should have experience and knowledge in the following areas:

- a. development planning and administration, particularly in relation to the NGO sector and its interface with Government and official agencies.
- b. survey work and the creation of data bases.
- c. the NGO sector in Uganda. International experience of NGO/Government/donor cooperation.

14. A team will be recruited to carry out task 3. The team will consist of a principle investigator (researcher) and two or four field researchers recruited specifically for the study. Between them it is expected that they will have experience and expertise in the following areas:-

- a. development planning and administration, particularly in relation to the NGO sector and its interface with Government and official agencies.
- b. survey work and the creation of data bases.
- c. quantitative and qualitative evaluation methods (particularly in circumstances where objectives and indicators are customarily set in primarily qualitative terms.)
- d. "Participatory action research," "beneficiary assessment" and similar people-centered approaches to development practice.
- e. the NGO sector in Uganda and elsewhere.

15. In addition the team will be reinforced as necessary by recruitment on short contracts of specialists to work on specific tasks. Additional research assistants may be required to help with collection and analysis of some data.

16. For the fifth task in the study it is expected that the individual contracted to work on tasks 1, 2 and 4 will join up with the core members of the research team working on task 3 to complete task 5. In addition while core unit members will be assigned lead responsibility for different parts of the study it is understood that they may advise on other parts of the study.

17. All those engaged in any part of the study will be responsible to, and under the general supervision of, the Assistant Commissioner, Aid Management at the Ministry of Finance and Economic Planning.

18. A steering committee made up of representatives from relevant Government departments and NGOs will act in an advisory capacity. To be effective the steering committee should not be too large certainly no more than fifteen members.

WORKSHOPS

19. It is envisioned that two workshops should be organized as part of the survey.

(a) Participatory Research Design workshop. This will be a technically oriented workshop giving local people, Government and NGOs from the study area (communities) the opportunity to participate in the design of the research methodology with the community study team.

(b) National workshop. Participants will be invited to attend from NGOs, Government and official agencies. The conclusions and recommendations of the study will be presented and key issues will be highlighted for discussion purposes. The workshop's comments will be incorporated into the final report.

SECRETARIAT

20. The overall management of the study and report preparation would be under Mr. Omar Mattar, Assistant Commissioner, Aid Management Department, MFEP. He would form a small secretariat to provide supervision and oversight to the two principal consultants undertaking the various aspects of the study as indicated above. The Secretariat would also provide the day to day administrative backstopping necessary.

REPORTING

21. The Secretariat with assistance from the study team consultants, will be responsible for preparing regular progress reports and presentations to the Assistant Commissioner, Aid Management Department in the Ministry of Finance and Economic Planning, the steering committee, and other relevant parties; and for preparing a final draft report with conclusions and recommendations of the study to the National Workshop, the Government, the World Bank and GTZ.

DURATION OF THE STUDY

22. It is expected that a draft report will be complete within four months, i.e. by mid-January, with a final report available soon after.

FUNDING OF THE STUDY

23. The study is to be funded by the World Bank through a grant from the Special Project Preparation Facility, SPPF No. G-149-0-UG (US\$75,000) and by GTZ through the German Federal Ministry of Economic Cooperation (US\$33,000).

Methodology for NGO Typology and Operating Environment

Establishing Sector Profile

Objective

To make comprehensive, up-to-date information on the NGO sector in Uganda available and accessible.

Outputs

1. **Definition and description of NGO sector, including:**
 - organizational and functional characteristics of NGOs
 - origins and motivations
 - geographic coverage
 - range of activities
 - extent and nature of resources deployed
 - sources of funding and other support
 - extent of government/official agency collaboration

2. **Classified listing of development NGOs, with basic information on each including:**
 - name and address
 - legal status
 - date of formation
 - type(s) of activity
 - geographic coverage
 - present number of staff
 - current annual expenditure
 - sources of funding and other support
 - links with government and/or official agencies

3. **Action plan for establishing and maintaining NGO data-base, covering:**
 - data to be stored
 - data collection and verification methods
 - access facilities
 - confidentiality safeguards
 - ownership and control
 - hardware and software requirements
 - preliminary implementation plan and budget

Activities

1. Establish working definition of "development NGO" for the purposes of this study and its intended consequences.
2. Identify, review, and analyze information in existing files and records, including those held by:
 - National Board for NGOs
 - Aid Coordination Secretariat, Office of PM
 - Aid Management Department, MFEP
 - NGO network and 'umbrella' organizations - e.g. DENIVA (Development Network of Indigenous Voluntary Agencies), UCOBAC (Uganda Community-Based Association for Child Welfare), NAWOU (National Association of Women's Organizations of Uganda)
 - official agencies - e.g. UNICEF, UNDP, World Bank, CIDA, DANIDA.
3. Devise practical, functional method of classifying NGOs.
4. Set up rudimentary NGO data-base on MFEP(AMD) computer.
5. Identify potential users of NGO data-base and analyze their information needs.
6. Determine design factors for appropriate NGO data-base.

Analyzing Operating Environment

Objective

To identify factors in the operating environment of NGOs in Uganda that facilitate or impede their work.

Outputs

1. Segmentation and description of NGO operating environment, including the following components:
 - statutory and regulatory
 - governmental and administrative
 - economic and financial
 - physical and infrastructural
 - social and cultural
 - political
2. Analysis of positive and negative factors in NGO operating environment

3. **Analysis of problems and opportunities regarding NGO operating environment, including those related to:**
- **facilitation and promotion:**
 - tax concessions
 - import duty
 - sales tax
 - income tax
 - immigration
 - entry permits
 - passports
 - advice and guidance
 - information
 - **support services**
 - **representation and arbitration**
 - **regulation:**
 - registration and criteria of acceptability
 - restriction and/or direction of activities
 - returns and reports
 - institutional and procedural arrangements
 - **coordination:**
 - nature and extent of desirable coordination of NGO activities one with another, and of NGO activities with government and other agency activities (in planning and implementation)
 - levels of coordination (national, district, sub-county, etc.)
 - location of responsibility and authority for coordination
 - **institutional and procedural arrangements**
 - **accountability:**
 - extent of accountability to:
 - government
 - beneficiaries
 - donors
 - types of accountability, e.g.
 - financial
 - social
 - operational
 - institutional and procedural arrangements
 - GO (government/official agency) - NGO collaboration, e.g.:
 - nature and extent of desirable GO-NGO collaboration
 - modes of collaboration
 - institutional and procedural arrangements

Activities

1. Investigate, by interview, questionnaire, group discussion, or other appropriate means, NGOs' and others' (government, official agencies, qualified observers) perceptions of the NGO operating environment.
2. Identify and review any documented previous analyses, deliberations, proposals, etc., related to the NGO operating environment:
 - proceedings of the Sub-committee of the Aid Coordination Committee (the "NGO monthly meeting" convened by the Aid Coordination Secretariat, Office of PM)
 - proceedings and report of the Vice-President's Select Committee on NGOs, and associated meetings
 - proceedings of the National Board for NGOs.
3. Identify and review structures and statutory instruments, rules and regulations, practices and procedures that help to create the NGO operating environment.
4. Make several field visits with NGOs to observe programs and projects in operation, and to check field staff's and beneficiaries' perceptions of the NGO operating environment.

Identifying Improvement Opportunities

Objective

To identify policies and strategies, structures and mechanisms, adoption of which may enhance the efficiency and effectiveness of NGOs and assist fuller realization of any comparative advantage they may possess.

Outputs

1. Analysis of options and approaches for supporting and strengthening the NGO sector and improving its operating environment, including assessment of:
 - acceptability
 - practicality
 - affordability
2. Suggestions for structures and mechanisms for operating, administering, and managing the proposed National Community Action Trust.

Activities

1. Identify and investigate any recent initiatives to promote or procure changes in government policy and procedures; collaboration and partnership between NGOs, government, and official agencies; scaling up; replication; or any other means of augmenting and making full use of the NGO sector's potential to contribute to national development in general and poverty alleviation in particular, e.g.:
 - PAPSCA
 - Vice-President's Select Committee on NGO's

- **Non-Governmental Organizations Registration Statute, 1989, and Regulations, 1990; the National Board for Non-Governmental Organizations.**
- 2. **Review literature on NGO sector experience in other countries, with particular reference to government policy and NGO-government-official agency collaboration.**
- 3. **Identify and analyze issues arising from information and results produced by tasks 1 and 2 (see attached "Preliminary List of Issues" for a possible starting point).**
- 4. **Solicit ideas from, and discuss possibilities with, representatives of NGOs, government, and official agencies, concerning options and approaches for supporting and strengthening the NGO sector and improving its operating environment.**

Select Community Field Study Methodology

OBJECTIVE

To examine the performance (efficiency and effectiveness) of the development activities of NGOs in one geographic area and selected communities therein, as seen from the perspective of those communities.

CRITERIA FOR SELECTING COMMUNITIES

- a. incidence of poverty
- b. range of problems of underdevelopment
- c. presence of more than one NGO operating
- d. presence of community based groups operating
- e. penetration of government services
- f. available data base
- g. mix of ethnic and religious groupings

FIELD RESEARCH METHODOLOGY

1. Documented information review.

Identify and study relevant documented information - in reports and papers, from surveys and censuses - from both Government and non-Government sources. Particular attention should be given to finding material on the activities on NGOs in the area. It will be useful to cooperate and coordinate with the researcher engaged on Task 1 (Terms of Reference for a study of the NGO sector in Uganda).

2. Key informant interviews (from the perspective of the community, the Government services, RC structure and NGOs).

Employ four or five research assistants locally to carry out in-depth interviews of key informants, some of which may be heads of households, community leaders, NGO and community based group personnel, and other local opinion shapers. Research assistants will also be expected to maintain good field notes to record additional participant observations gained from "walking about" as part of the interview process. Areas of inquiry should include the following:

- a. living conditions.
- b. occupations, individual and group economic activity.
- c. social services, individual and group social welfare activity.
- d. self-help and community organization and activity for development.
- e. external agency (including Government and non-Government organizations) activity for development.

3. Beneficiary assessment would include measures of the degree and nature to which the community has benefitted from NGO, community based groups, and government development efforts from the community perspective.

4. NGO and community based groups case studies (descriptive with performance data measured against stated objectives and community needs).
5. Focus group interviews may be conducted with difference groupings some functional, e.g. women's group, farmers, youth, etc. ; others purposely organized to include a mix of persons, e.g. community leader, head of household, NGO leader, government official, RC, etc.

DATA ANALYSIS AND REPORTING OUTLINE

1. Community profile (with an emphasis on poverty analysis).

This will describe key characteristics and conditions of the area (select communities related to its development status and potential,) including:-

- a. location and topography.
- b. natural resources and climate.
- c. physical infrastructure.
- d. social services.
- e. demography and socio-economic structure and relations of the population.
- f. economic activity.
- g. living conditions.
- h. governance and administration.

2. Development problems, opportunities, and analysis of NGO performance from various perspectives.

This will identify and describe what people perceive to be key problems facing them in their daily lives, and obstacles in the way of solving those problems. It will examine opportunities for development progress identified by the people themselves and by development agencies, including Government, with an interest in the area.

3. NGO and Community based development groups inventory.

The inventory will list all development NGOs and community based groups operating in the area, with details including the following:-

- a. name and address.
- b. legal status.
- c. affiliates and partners.
- d. date operations commenced in the area.
- e. number and types of staff.
- f. aims and objectives.
- g. activities.
- h. income and expenditure.
- i. sources of funds.
- j. links with Government and/or official agencies.

4. NGO and community group development activity performance evaluation.

This will use qualitative and quantitative indicators and measures. It will report the impact on the area's/communities' development problems of NGO and community based group activity as a whole. It will include the findings of case studies of some or all of the NGOs operating in the area.

5. To the extent that government services penetrate the community, the community level analysis will examine and describe ways in which government resources and development programs are extended, enriched, or substituted for by NGO and community based development efforts. It will be critical for the study to analysis the dynamic relationship between government, NGOs, and community based groups in order to better understand the relative comparative advantage of each group and the means through which their strengths can combine to form a critical mass enabling the scaling up and achievement of sustainable poverty alleviation at the community level.

6. Findings and Recommendations.

This section will summarize the key findings of the pilot community study regarding the efficiency and effectiveness of the development activity of NGOs in the selected area. It will seek to interpret, project and generalize those findings in the wider context of the NGO sector as a whole. It will particularly focus on the relationships between NGOs and community based groups to build a sustainable poverty alleviation effort from within the community.

Collective Groups and Market Competition

Donors in Uganda now strongly favor cooperative and participatory groups as a means of enhancing productive capacity, and have invested considerable resources in both. The decision to invest in group rather than individually owned agencies is clearly being made out of an ideological preference for participatory forms, but will be validated only if the cooperatives can operate as efficiently. Evidence suggests that this is rarely the case for reasons outlined in the previous chapter. This raises important questions as to the basis on which donors might want to go on supporting such agencies. These questions can be posed here by considering the efficacy of the accountability mechanisms which apply in this sector.

The great strength of the competitive market mechanism lies in its capacity to decentralize control to consumers and in its ability to impose least cost production processes on producers. In this context it can be argued that state or donor intervention to ensure accountability is not required, and that cooperatives will emerge out of the competitive process if and when they are able to organize production processes which can compete on equal terms with those in the private sector. ^{32/}If the choice between collective and private provision were simply left to the market then this argument would, indeed, apply.

However donor support to the sector has the effect of displacing market controls by providing collective producers with monopoly powers (in the case of marketing cooperatives in Uganda till recently) or with subsidies which are sometimes very significant. This assistance is justified on several grounds - out of a preference for participatory as against 'one person management' systems; to provide local communities with access to markets dominated by foreign firms; by the claim that market competition promotes conflict, inequality and exploitation; by the assumption that democratic control by workers or members increases accountability; and because monopoly powers are sometimes required if firms are to provide services in poor as well as rich areas.

These arguments cannot be discounted, but it is important that the real costs involved in supporting collective agencies in this way are accurately measured and set against the advantages which are claimed by proponents. The allocation of monopoly powers to marketing cooperatives in Uganda where members have been unable to exert effective democratic controls over managers has produced disastrous results by sheltering corrupt and incompetent leadership from the need to provide an adequate level of service. This has increased inequality, exploitation and poverty rather than reducing it, and compares very badly with the performance of the private marketing sector. ^{33/} The widespread and ill-considered support of collective income generating projects both in Uganda and elsewhere has also often led to failure, demoralization and waste.

The problem here is that donors and governments can go on supporting such activities long after their capacity to perform has been exhausted since the donors themselves

^{32/} The classic argument is presented in Mill, J.S., *Principles of Political Economy*, London, Longmans Green, 1900, Book IV, ch.7.

^{33/} See for example Government of Uganda/World Bank Agricultural Task Force, *Marketing, Storage and Processing Food Crops*, Kampala, 1987.

are not subjected to effective monitoring and control by those who provide them with their funds. While we can accept some of the "infant industry" arguments which are used to justify this support, there needs to be a much greater recognition of the problems presented by opportunism and incompetence in these organizations, a refusal to shelter them from the effects of market competition by offering subsidies rather than monopolies and setting clear time limits with respect to the period when these are to be removed. Serious attention must also be paid to external auditing and to the development of low cost mechanisms to give members reliable access to information about the activities of their managers.

The Problem of Evaluation

Accountability is only possible where both principals and agents share an understanding of what constitutes an adequate performance, and can value and measure it accurately at an acceptable cost. However it is not easy to evaluate NGOs in terms of efficiency and effectiveness because it is so difficult to identify consistent and measurable performance indicators. Economists usually equate these terms with the least cost use of resources to solve a production problem - whether to produce a bar of soap, educate a child or heal a patient. If this were so our concern would simply be to find out whether NGOs make as good or better use of resources than do private or state sector agencies, especially where choices are being made not only between private firms, but also between the private, state and voluntary sectors.

Where products (like a health care service) are being supplied, effectiveness is not only a function of costs but of whether the overall objectives of the program are being achieved (the increased general health status of the recipients). This may not be directly proportional to profits (which might stem from over-prescribing and thus have worsened health), but would require more complex and problematic indicators. At the macro level a broader category of economic efficiency is required - "a sum of measures of productive efficiency and effectiveness," involving least cost production processes and the maximization of program objectives. Here a wide array of additional variables intrude into the analysis, stemming from the differing and often conflicting objectives of the variety of agents and principals involved. Even the narrower concept of productive efficiency ignores the relevance of alternative institutional setups which will influence the prices at which people will be prepared to work, and that this makes the approach particularly unsuitable for guiding resource allocation in situations in which choices between different modes of production have to be made. This is critically important for any examination of the macro level implications of making choices between voluntary, private or state agencies given the differences between the motivational patterns of the participants where protagonists of the former sector place such heavy stress upon the hidden long term benefits of developing the capacity to cooperate.

Even the notion of pure economic efficiency is also problematic because "what we accept to be socially right cannot, in general, be ascertained only from people's preferences, and it is often necessary to bring in the motivation underlying those preferences". In judging the value of a service - for example a health program which could be provided by an NGO, the state or privately - the practitioners, the drug companies, the bureaucrats, the taxpayers and the patients will have varied preferences which will be differently served depending on the type of agency. Multiple and partially incompatible objectives are involved and what constitutes success and thus "efficiency" for one party may represent failure and waste for another.

A key advantage attributed to competitive markets is that they provide and enforce success indicators which have manifestly ensured productive efficiency, though often at great cost. Perhaps the major problem in the state sector is the difficulty involved in devising and enforcing rational success indicators, and for perverse and even anti-social motivations to

influence resource allocation^{34/}. Yet for as long as non-market agencies are used for many purposes it is necessary to make allocation decisions on the basis of imperfect success indicators which involve calculations based on subjective ideological judgements as much as objectively measurable quantities.

The need for such "non-economic" indicators is an age-old problem in political economy which has mainly been raised by those demanding a growth in state intervention to compensate for various forms of market failure identified earlier. The attempt to use voluntary provision as well further complicates the process because of the claims to productive efficiency and other positive externalities which are claimed for them. We can only arrive at an acceptable basis for such judgements by considering the strength of these claims and setting them against the counter-claims made by non-voluntary agencies which could be used to provide the same service.

Policy makers therefore must be able to decide whether the claim by voluntary agencies to achieve economic efficiency in its broadest sense actually holds by identifying appropriate success indicators which can be used to validate or challenge these claims in particular cases. Where objectives are in conflict for example where participatory processes reduce the output derived from a given investment - the final assessment must be based upon a sum of the gains and losses. This involves difficult philosophical and practical problems evaded in orthodox economic analysis, but in real life social choices are commonly made on the basis of competing and incompatible objectives where non-material values often take precedence over material gains. Thus the exercise is not inherently impossible, only one which cannot produce an objectively "correct" answer. Performance criteria are not absolute, but relative to social expectations, the availability of resources, the task at hand, and the organizational alternatives available to achieve given ends. This therefore suggests that three requirements should be kept in view producing the overall evaluation:

- a. valuations of any agency must make clear whose objectives they are using in arriving at a judgement of efficiency - that of the NGO, the donor, or the clients.
- b. insofar as NGOs are autonomous agencies funded from their own sources, we must question the right of governments (local or central), to impose conditions on their activities, or to limit their right to operate using efficiency judgements based on the government's assessment of what their goals should be rather than those set by the NGO itself.
- c. Those who support NGOs do have a right to tie their support to the achievement of specific goals. Their subsequent evaluations can only be accurate and fair if they have, in their contractual arrangements with the agency, clearly specified the goals to be pursued and provided an agreed basis on which to measure both costs and outputs.

^{34/}

For example Niskanen's influential assertion that civil servants are primarily motivated by the desire to maximize their own budgets. (Niskanen, *Bureaucracy and Representative Government*, Chicago, Aldine, 1971).

- d. when making such calculations donors should take in to account all costs (costing all overheads including their own) and should compare the output with that of equivalent processes in the non-voluntary sectors where this is at all possible

It is very difficult to make reliable cost benefit judgements not only for the reasons already given, but also because of the difficulties involved in getting reliable information on the total costs of actual projects. Many hidden overheads and subsidies exist in projects which appear on the face of it to be making efficient use of resources and even apparently expensive projects may have to be given the benefit of the doubt where it is impossible to identify alternative agencies which could provide the service better. As we have already said, it is if anything more difficult to quantify benefits in the face of multiple objectives, positive externalities and unanticipated consequences. In even the worst designed projects the local community is likely to achieve some benefits as a result of additional income brought into the area by project staff. Even "leakage" may have positive effects where it leads to the creation of efficient private companies in the local area.

**Government Bodies with Responsibility for coordinating
NGOs Activity^{35/}**

The National Board for NGOs

Its functions include guiding, monitoring, and advising on policy (Statute 5 1989 section 6), but it has so far concentrated solely on registration, and it lacks resources.

The Aid Coordination Secretariat, Office of the Prime Minister

The Office of the Prime Minister (OPM) is manager and coordinator of government business, and so can claim ultimate responsibility. The Aid Coordination Secretariat within OPM is the unit with a responsibility for NGOs. An 'Aid Coordination Committee' was set up in 1986 to oversee relief assistance, including that provided by NGOs. The 'Aid Coordination Secretariat' was established to service it. A 'Sub-Committee of the Aid Coordination Secretariat' was established to service it. A 'Sub-Committee of the Aid Coordination Committee' was formed which became a monthly meeting of NGOs. The Aid Coordination Committee itself no longer functions. The Aid Coordination itself no longer functions. The Aid Coordination Secretariat acts as one contact point with government for NGOs where they can seek information, advice, and assistance. But it lacks resources: it is staffed by a 'Director of Aid Coordination/NGOs' and two Program Officers; it has an under-equipped office and no transport. It has files (containing mostly correspondence) on some 200 NGOs. The monthly meeting of NGOs, which has recently been held less frequently than monthly, usually attracts 50 or 60 participants. Its agenda tends to be haphazard and discussion dominated by the same few vocal individuals, but there is some exchange of information and airing of issues.

**The Aid Coordination Department, Ministry
Finance and Economic Planning**

The Ministry of Finance and Economic Planning (MFEP) has overall responsibility for external aid coordination, which they claim includes NGOs. But the Aid Coordination Department, like its predecessors in the previously separate Ministries of Finance and Planning and Economic Development, has no systematic dealings with NGOs: it negotiates agreements with some international NGOs, and it is supposed to consider and approve 'workplans' submitted by NGOs applying for registration to the National Board for NGOs. According to relevant authority in MFEP - there should be no more than a link between MFEP and NGOs for information flow -MFEP should not be involved in monitoring or technical follow-up.

The Ministry of Labour and Social Affairs

The Ministry of Labour and Social Affairs has proposed a bill to create a statutory body 'National Council of Voluntary Social Welfare Services': a sectoral coordination body

(reviving the defunct National Council for Voluntary Social Service: a membership organization established in 1993).

The Ministry of Women, Culture, and Youth

The Ministry of Women, Culture, and Youth has an NGOs Division responsible for coordinating and monitoring women's NGOs - this may be extended to youth and culture-related NGOs.

Line Ministries

Line Ministries carry out sectoral coordination of NGOs to some degree, but not comprehensively or systematically.

District Administrations

An officer in each District Administration is supposed to be allocated responsibility for liaising with NGOs in the District, and the District Development Committee (DDC) is supposed to incorporate NGO activities in the District Plan and monitor implementation. It appears, however, that in practice these arrangements are not effective. Even though the NGO Regulations associated with the NGO Registration Statute require that each registered NGOs should "furnish to the District Development Committee of each area in which it operates estimates of its income and expenditure for consideration and approval", levels of compliance are extremely low, and some DDCs themselves are unaware of the requirement.

In some Districts, District Administrations have made some attempt to find out what NGOs are doing in the District and to bring them together.